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FEARLESS—FORWARD LOOKING—FORTNIGHTLY

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Building National Greatness
By WILLIAM S. KIES
Vice-President, National City Bank

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Financial Editor, N. Y. Evening Mail

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Trading in Wheat
By ARTHUR BRILL

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By FRED L. KURR

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Cotton — Oil — Wheat

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THE OUTLOOK

Market Resists Bear News—Bonds—Supply of Capital—The Metal Stocks—Railroads—The Prospect

THE most notable feature of the current market has been its stubborn refusal to decline on bear news. Dispatches from Washington have indicated almost daily the possibility of a diplomatic break with Germany, and the torpedoing of neutral ships or of unarmed Allied merchantmen has almost become a matter of routine news. A year ago this situation would have been considered sensational. Now it not only does not seriously depress the market, but prices insist upon gradually rising in the face of it.

March 1 the average of twelve industrial stocks stood at 119. On March 25 it was above 124, and at this writing the greatest reaction from that advance has been only about one-half the gain. The behavior of the rails has been similar, the average of twenty stocks advancing from 100.65 to 103.73, followed by a half-way reaction.

Why the Market is Firm

THE extraordinary firmness of the market in the face of such a delicate international situation is partly due to skepticism as to the probability of any break with Germany, and partly to the feeling among investors that if such a break does come it will be at most only a temporary bear factor.

The Administration has cried wolf so often that its latest shouts go almost unheeded. It is presumed that the President may put the question up to Congress; but Congress has already shown pretty plainly its strong desire for peace. Allied sympathizers in the East would undoubtedly like to have this country join in the war, so far as our unprepared military state would permit, but the great mass of the people, surfeited with reading of the horrors enacted abroad, have but one emphatic desire to express to their representatives, and that is, "Keep out of it!" The Western farmer and the voter in shop or factory sweep aside all technical points and ask for peace.

Even if the German Ambassador should be given his passports, it is hard to see how we could really go to war with Germany. We have no land forces that could be sent abroad. The Allies already have complete control of the sea, except for such

minor damage as can be done by the Teutonic submarines. It is difficult to see how we could get at Germany or how she could get at us. On the other hand, our military preparations would be hastened, with the result of giving an additional fillip to our already very active trade.

The Bond Situation

SINCE last December our bond market has remained almost stationary at the highest level reached since the outbreak of the war. Bond prices are now substantially where they were in June, 1914, just before the war. This is, of course, a relatively low plane of prices for bonds. In fact it is fully 10 per cent below the high point of 1909, after the sharp advance which followed the panic of 1907.

The bond market is balancing between two forces—accumulation of investment capital in America and steady selling of our bonds from abroad. In the fall of 1915 the first factor became the stronger and an advance of about five per cent in bond prices took place in a three months' period. Since then we have had nothing but steadiness at the top level of the recovery.

Supply of Investment Capital

IN the meantime everything indicates a generous supply of investment capital. The $75,000,000 Canadian loan was oversubscribed about six times and after the lists were closed the fifteen-year bonds quickly advanced about 3 per cent over the subscription price. The coming issue of New York City bonds is already quoted in advance at a yield of only slightly over 4 per cent, and the older issues of these bonds actually advanced on the announcement of the new issue.

It is to be noted, however, that while the supply of investment capital is still large it is not so superabundant as it was last January. Surplus reserves of the New York Clearing House have now fallen below $100,000,000, against $175,000,000 at the end of January, and during the same period the surplus of deposits over loans has fallen approximately $65,000,000.

This does not indicate any early shortage of capital for investment, but it does show that the tremendous surplus of last January is being gradually used up. However, easy money seems assured up to next fall and it is still too early to attempt to predict what will happen then, in view of the many uncertainties which the war introduces into the situation.

Phenomenal Demand for etals

NO let-up is yet visible in the big demand for steel, copper and spelter. Steel-producing companies are practically sold out to capacity for the remainder of 1916 and some orders are booked for 1917. England has just taken 200,000,000 pounds of copper for delivery this year and early in 1917. Iron production for March struck a new high level at 3,337,000 tons. This is 18 per cent above the previous high record, which was reached in May, 1913, and 44 per cent over the highest point of 1907, when the then capacity of producers was strained to the utmost. It is considerably more than three times the production of February, 1908, and over double that of December, 1914.

Steel prices continue to rise, in spite of the fact that they are now far above previous high records. An average of various steel products at Pittsburgh at the end of March was $53.60 per ton, against $30.75 for March, 1915. Pig iron and copper, however, have been holding stationary in price for some time. There has been little change in iron prices since January and practically none in copper metal since Febru-

ary. Copper at 27½ cents is the highest for many years, but pig iron is still far below its 1907 prices.

Railroad Earnings Still Heavy

GROSS railroad earnings keep up their big increases over last year. The gain in March was approximately 18 per cent, in February 17 per cent, and in January 16 per cent. The extent of these gains is mostly due to the fact that comparisons are with a period of relatively small earnings last year, since it was not until the last half of 1915 that the roads began to feel the effects of the growing prosperity in trade. Nevertheless the general level of railroad business is well above the previous high records of 1912 and 1913.

Net earnings are showing some proportional decline as compared with gross. This is chiefly because of rising expenses, due to the higher cost of materials and labor and the continued congestion of traffic. Last November the gain in net compared with the previous year was about 85 per cent.; in December 82 per cent. and in January 64 per cent. Full February net earnings are not yet available, but it is likely that they will show a continuance of the same tendency.

Nevertheless the average earnings available for dividends in the year ending next June will probably be about 3 per cent. on the stocks in excess of the earnings of the preceding year, for most of the leading roads. Such a showing cannot be reckoned as other than highly gratifying.

Bank clearings, the other of the two most important indices of business conditions, continue at new high levels compared with all previous years. Total liabilities of failures, another good indicator, are very small.

The Market Prospect

PUBLIC interest in the market continues at a low ebb, and leading operators are at present making no special effort to stimulate activity, but it is noticeable that there is a demand for stocks on any decline in prices. There is investment absorption of leading rails and industrials, and any considerable speculative demand would be likely to find but a small supply of many issues available.

Railroad stocks have so far had but a moderate advance and are selling at a relatively low level compared with earnings. Of course the roads are not ye free from the problems resulting from rising costs and stationary rates, and under the strict control now exercised by the Interstate Commerce Commission it would be unreasonable to expect any such advances as have been recorded by many industrials; but our view is that standard railway stocks are entitled to sell at higher prices and that they will show relative firmness during any declines which may occur in the rest of the market.

Copper and steel stocks do not appear to have fully discounted the large profits now being made in those industries. The copper companies are sold so far ahead that they are assured of tremendous profits in 1916, and to a less extent the same is true of the steel companies.

Industrials in general, and especially the war stocks, are now more dangerous for the investor because of the big advances that most of them have already had. They contain possibilities of large profits still, but accompanied by a degree of risk that the average conservative investor will probably prefer to avoid.

The general tone of the market is excellent. The weak technical condition that prevailed throughout the winter now seems to be corrected and most stocks are lodged in the hands of owners who cannot easily be scared out of their holdings.

William S. Kies

Building National Greatness

Our Failure to Fully Develop Our Resources—Germany's Example—What is Being Done and What Must Be Done—Need of Big Men in the Commercial World of Today

By WILLIAM S. KIES
Vice-President, National City Bank

THE United States today is in a unique position. Alone of the great powers of the world, it is at peace. The trade and financial currents of the world seem to have reversed themselves, and this country at the present time is, temporarily at least, the financial and commercial center of the world. We are at present the greatest gold market, and the American dollar is the only currency that, no matter what happens, is reasonably certain to retain its stability and value.

Great opportunities and correspondingly great responsibilities are ours. The American banker, without previous training and experience, has suddenly been called upon to deal with new problems in international finance, and to find means for adequately taking care of an exceptionally large, and still increasing, trade.

We may well feel proud of what has been accomplished. The events of the last year and three-quarters in the financial history of this country are so fresh in your minds that it is unnecessary for me to review them in detail. The resourcefulness and the courage of the bankers of New York maintained the credit of the country, averted a financial and business panic, and made possible the handling of the largest export business this country has ever had.

What Statistics Show

For the fiscal year ending June 30, 1915, the figures show a trade balance in favor of this country of over a billion dollars. Each month of the present fiscal year has shown a huge favorable balance, and if the present rate is maintained, the trade balance in our favor for 1916 will not only be the greatest in the history of this country, but the largest ever shown by any nation. Of course, these balances can not be maintained when Europe shall again be at peace. They are the result of the placing of enormous war orders in this country at prices that really must be considered excessive, and these prices have extended to our other exports of food-stuffs, raw materials and manufactured articles which are necessaries of life.

Nations which have formerly found their sources of supplies in Europe have likewise been obliged to turn to this country, and while exportations to South America and China, due to decrease of buying power and poor transportation facilities, have fallen off, nevertheless the

proportion of the total imports to these countries from the United States has very largely increased.

A study of the export and import figures of South America and of the Orient indicates clearly that the shelves must be quite bare, and that during the remainder of the war and for some time after, there will be a gradually increasing demand for manufactured articles. The following figures tell the story:

The principal countries supplying the manufactures entering into international commerce are Great Britain, France, Germany, Austria-Hungary, Belgium, Switzerland, Italy, Japan and the United States, and their exports in 1914 and 1915 have been in every case, except that of Japan and the United States, materially below normal. Great Britain, for example, exported but 1,873 million dollars worth of merchandise in 1915 against 2,097 millions in 1914 and 2,560 millions in 1913, and approximately 80 per cent. of her exports are manufactures. France, in the first ten months of 1915, exported but 475 million dollars worth of merchandise of all kinds, chiefly manufactures, against 865 million dollars worth in the same months of 1914 and 1,102 million dollars worth in 1913. Switzerland exported in the full year 1914 230 million dollars worth against 263 million dollars worth in 1913. Italy, in ten months of 1915, exported 363 million dollars worth against 369 millions in 1913. Germany, Austria-Hungary and Belgium are supplying nothing, although normally their chief exports are manufactures. While the exports from the United States show large gains in manufactures exported in 1915 compared with 1914 and 1913, a very large share of that increase went to Europe for use on the battlefields or in conjunction with the war, and our gains in exports of manufactures to other parts of the world are very slight.

When it is remembered that the exports of Germany, Austria-Hungary and Belgium, now cut off from the outside world, amount normally to three and one-half billion dollars a year, and that the exports of the other manufacturing countries of Europe are one and one-half billions below normal at the present time, it is apparent that the world's supply of manufactures available for international trade must have been greatly reduced in the one and one-half year of the war, and, as a consequence, the stocks of manufactures in those countries accustomed to drawing their supplies from Europe must be practically exhausted.

As the War Reaches a Climax

As the war reaches its climax the nations involved will strain every resource and direct every effort toward the business of winning the war. This means that productive industry will be even more crippled than at present. Of necessity, therefore, the former customers of the European nations will be obliged to turn to the United States, and our export figures for the coming months may be expected to show a still larger proportion of South America's totals. The important question is: Shall we be able to hold the business of our new customers when our foreign competitors shall again be capable of supplying these markets?

We are at present enjoying such unusual prosperity in all lines, and our manufacturers are so crowded with domestic orders and with war orders from Europe, that very little serious thought is being given to the making of permanent customers out of those whom the circumstances of war have compelled to temporarily trade with us.

Is it possible that the American business man does not appreciate the opportunity before him? Has he not learned by experience the value of having a permanent export market for his export products? There is not room for argument upon the proposition that a permanent export trade is vital to the future welfare of this country. When a nation reaches the point where the capacity of its manufacturing establishments is more than sufficient to fulfill the needs of its population, the prosperity of these manufacturing establishments depends upon the finding of permanent markets for surplus products. Unless such markets are found and held, these manufacturing establishments can not be run profitably, and the labor dependent upon them can not be employed steadily and at good wages.

Our Foreign Trade Growth Not Encouraging

Considering the size of our country, its almost inexhaustible resources, and its growth in wealth and population, the growth of our foreign commerce, while encouraging, is not impressive. This country has greater productive resources than any other nation in the world. We have, with few exceptions, the raw materials to supply our manufacturing industries. Nature has given us innumerable water powers and an almost inexhaustible supply of coal. We have iron, stone, lumber, and other construction materials in abundance with which to build factories and workshops. Add to our natural resources a plentiful supply of intelligent labor, and we have all the essential elements which should make us the greatest commercial nation of all times.

Twenty-five years ago Germany set for herself the task of building up her foreign trade. Her economists saw clearly that national wealth and prosperity were the sure rewards of a successful foreign commerce; that selling to other nations in return for their raw materials the products of factory and workshop meant a permanent income to Germany from the labor and skill of her citizens, and that the value added by the processes of manufacture gave her either a call upon the gold supply of the world or the option of a credit which could be used in the purchase of food-stuffs or other raw materials. Germany went about the matter in a thoroughly scientific manner. An intensive investigation of the possibilities of the various markets of the world was begun. The characteristics, customs, manners and wants of her future customers were carefully studied in an endeavor to ascertain what goods were desired and those for which a demand could be created. There was to be no attempt to force upon people what they did not want.

Results of German National Policy

As a result of this intelligent, aggressive national policy, Germany's commercial progress has been such as to compel the admiration and respect of the world. How lamentable it is that those who guide the destinies of this great empire did not realize that in the peaceful development of her industries, the growth of her commerce and the magnificent organization of her forces of production lay a source of power and influence in the world's affairs of far greater potentiality than could result from any war, no matter how successfully waged.

Contrast the definite, clean-cut export policy of Germany and that of the United States. We have no merchant marine worthy of the name, but instead of passing laws to encourage its growth, our legislators increase the burden of operation. No effort is made to place the great manufacturing cities in the interior of the United States on an equal competitive basis with the manufacturing centers of the seaboard. Until recently there were no provisions in our national banking laws encouraging, or, as a matter of fact, even permitting the financing of export business, and no provision whatever for the establishment of branches of American banks abroad. There has been no conscious attempt until recently to educate the American public to the value of export business to this nation.

The passage of the Federal Reserve Act made it possible for national banks of this country to establish branches in foreign countries, and to place back of the branches the resources and the prestige of the parent bank. The Federal Reserve Act likewise contained a provision of greatest importance in the development of the export business of this country. National banks under this provision are permitted to accept bills of exchange drawn against actual shipments of merchandise in foreign commerce up to an amount equal to their capital stock and surplus. Prior to the passage of the Federal Reserve Act the acceptance was a commercial instrument little known in this country. Our financing had been done exclusively by notes. England's great commercial supremacy is in no small degree due to the development of the use of the acceptance. It is the most easily available method of extending credit for the purpose of financing exports and imports.

Handicaps of Foreign Banking Branches

One of the great handicaps in the establishing of foreign banking branches is the difficulty of obtaining trained men who are capable of assuming the positions of responsibility. This difficulty, as I pointed out before, was met in Germany by a system of training which fitted her youth for foreign service. So far little has been done in the United States in this direction, so in order to overcome this obstacle the City Bank has inaugurated its own educational system. From a list of sixty young college men, twenty have been selected, who are receiving one year's special training in practical banking to fit them for service in the various branch banks. Only American-born men were selected for this picked advance guard of American commerce, the men chosen coming from universities all over the United States.

The bank has gone even further than the present plans inaugurated in its selection and training of the young men, who will eventually assume the responsibilities of advancing American export business in the foreign field. We have recently worked out a plan of co-operation which is soon to be submitted to the universities of the country whereby students looking forward to banking as a career can secure one year's practical banking at the National City Bank during their college course. This will enable them to graduate at the end of four years with their A. B. or B. S. degree, and a practical knowledge of banking, so that, if qualified, they can step into a permanent position in foreign commercial and financial work.

Young Men of Brains Needed

If we are to build up a lasting foreign commerce, the whole country must begin at once to train our young men for the service, and to insure them with an appreciation of the importance of their work to their country. Those who are willing to spend the time requisite for adequate preparation, and to make the sacrifice necessary in foreign service, may be assured that the field offers opportunity for the successful exercise of abilities of the highest order, and promises rewards of a substantial and material nature, as well as the satisfaction which comes from the sense of a duty well done and a public service faithfully rendered.

America needs as never before the trained mind, the courageous spirit and the constructive imagination. There never was a greater demand for big men than in the commercial world today. Let our young men rise to the occasion and take up the work before them in a spirit of patriotic devotion, with a keen appreciation of the fact that the service they are called upon to render is contributing in a valuable manner toward the upbuilding of this nation, and the strengthening of its power and influence in the world's councils for permanent peace.

The Gold Fetich

There is nothing real but gold; there is no protection but the Fetich. But the real fetich is not the yellow, glittering gold which dazzles the eyes; behind it, more concealed from view, is the arch fetich, its parent—the commodity.

Man's emancipation from his fetich, which will be accomplished by his passing out of the commodity-producing form of society, means that he has ceased to be the unconscious object of evolution and that he has arrived at the point when he will be the master of his destiny. With that he passes definitely out of the animal kingdom, the free man.—"Capital Today," by Herman Cahn.

Outlook for Leading Industries

Article III—The "Peace Stocks"

Companies Which Have Suffered Little and Some Which Have Been Adversely Affected By War—Their Present Status and Prospects

By BARNARD POWERS

RECURRENT talk of peace among the warring nations, no matter how ill-founded such reports may be, brings to the forefront the question as to what will happen to the American securities markets when the world-orgy of destruction finally ceases. Upon this point their is a wide divergence of opinion, some predicting a severe set-back to prices and others forecasting a bull move which will overshadow anything which has gone before.

Whichever prediction proves to be correct, it is obvious that important price changes will accompany the time when the contestants drop the sword and take up the diplomatic pen.

American securities may be classified as those which have been materially helped by the war, those which have been little or not at all affected and finally those which have been injured by the war.

So-Called "War Stocks"

The first class, i.e., the so-called "war brides," were discussed in the April 1 issue of THE MAGAZINE OF WALL STREET. The conclusion was, speaking generally, that anything like a sudden peace, or peace within the next year, would doubtless mean a very sharp contraction in the market value of these securities. Taking the twenty leading war-stocks, it was shown that their market price increment since the war began approached near enough to their volumes of war business to warrant the statement that they have discounted war-order profits to a very considerable degree. This conclusion appears to be substantiated by the market weakness which develops in these stocks on passing peace rumors. Of course a long continuation of the war and further large munitions orders might warrant even higher prices for these issues, but for the present they appear to be selling high enough.

Peace Stocks

The purpose of this article is to point out the leading stocks which have been little touched or adversely affected by the war, and which are likely to show substantial improvement in times of peace.

As a matter of fact it would be hard to find any concern which has not been to some degree affected by the war, so deeply has the entire economic structure of the nation been moved by the tremendous events abroad. There are some concerns, many of the oil companies are typical examples, which have been directly hurt through loss of export business, and on the other hand have been benefited by the demand for oil here, due in part to war conditions, far more than they have been injured.

The table which accompanies this article gives a list of the companies that have suffered from war conditions or which have been little affected, but would be likely to do much better in normal times.

The harvester companies, International Harvester Corporation and Moline Plow, for instance, have been vitally affected by the strife abroad since they look to a very considerable proportion of their profits from their exports. The biscuit companies, like National Biscuit and Loose Wiles have been hurt by the high prices for wheat and flour. Such companies as Singer Manufacturing, Mergenthaler Linotype and Remington Typewriter are in the same group since they do a very large export business in

times of peace. Diamond Match is one of a group of corporations which has been hurt by abnormal prices for certain chemicals and raw materials, without a corresponding offset of war-orders or increased domestic demand.

The fertilizer chemical companies too, would have shared the troubles of Diamond Match except in the case of those like International Agricultural Corporation and Virginia-Carolina Chemical, the enormous demand for products such as sulphuric acid which they manufacture and which are required in the manufacture of explosives, enabled them to make profits far in excess of what they might ordinarily have obtained.

THE "PEACE STOCKS"

Company	July 1, 1914	Recent Price
American Ice	29½	28⅛
American Malt, com	4½	8
American Linseed, com	9⅛	23½
American Snuff, com	160	136
American Tel. & Tel	120½	115⅞
American Tobacco	227	195
Brooklyn Rapid Transit	91⅝	85⅞
Case (J. I.), pfd	80¾	85
Consolidated Gas	128¼	135¾
Corn Products, com	8¼	21
Crex Carpet	60	45
Deere, pfd.	93¾	94
Interborough, com.	14⅝	17¼
International Harvester Corp., com	102	71
International Paper, com	7½	11¼
Loose Wiles, com	30	16½
May Department Stores, com	57	54
Moline Plow, pfd	103¾	92¼
Montana Power, com	49½	81
National Biscuit, com	132	123¼
Pullman	155	162
United States Realty	58	40
U. S. Rubber, com	58½	52
Woolworth, com.	96	124½

Prices in the above tabulation are either for actual sales on July 1, 1914, and April 4, 1916, respectively, or for the closing bid prices where there was no sale.

Status of Peace Stocks

Following is brief comment on those securities which I have classified as peace stocks, giving their present status and outlook as far as may be determined at the moment.

AMERICAN ICE—Conditions affecting it normal. Less severe competition expected owing to consolidation of a number of small independents. Profits and dividends dependent upon weather conditions between now and October.

AMERICAN MALT—Has no alcohol sales like Distillers Securities and Industrial Alcohol to bring in war profits. Like American Ice is dependent upon a warm summer for a big demand for products.

AMERICAN LINSEED—Improved position due to better domestic demands for its manufactures and to larger profits on essential oils which have tripled in price since the war began. Appears to be no reason in sight why company's better earnings should not continue.

AMERICAN SNUFF — Earnings running about normal but margin above dividend requirements not large. Lower relative price of stock due in part to distribution, Sept. 30, 1914, to company's stockholders of P. Lorillard and Liggett & Myers preferred stock.

AMERICAN TELEPHONE & TELEGRAPH—Earnings satisfactory but corporation is under constant pressure from rate-making commissions in various states. No indications that com-

pany, however, can not continue to earn and pay present dividends.

AMERICAN TOBACCO — Barely earned dividend last year. Company experiencing more severe competition and no longer receives dividends from Imperial Tobacco stock which was distributed to its shareholders.

BROOKLYN RAPID TRANSIT— Considerable question as to whether new subways to be opened in 1918 will prove a source of immediate profit or loss to the company. Earnings now satisfactory but not greatly in excess of dividend requirements.

CASE (J. I. PFD.)—Conditions in South America, Canada and Europe not satisfactory but domestic business much improved. Company has booked some war business and is making profits from its automobile manufactures. Heavy export demand expected when peace comes.

CONSOLIDATED GAS—Last year best in company's history, but like A. T. & T. this company has always the spectre of further forced reductions in rates to be considered.

CORN PRODUCTS—Bullish argument found in expected disposition of anti-trust suit in favor of the company. 1915 earnings were $500,000 ahead of previous year and present earnings reported very satisfactory.

CREX CARPET—General business depression of 1914 affected this concern through 1915 and resulted in low record of earnings. Its affairs are improving and company should profit from further betterment of industrial conditions in this country.

DEERE PFD.—War business enabled company to offset falling off in foreign trade and peace should mean a substantial improvement in its affairs.

INTERBOROUGH CONSOLIDATED—In somewhat the same position as B. R. T.—see above.

INTERNATIONAL HARVESTER CORPORATION — Adversely affected by war and interruption of normal operations of foreign plants. Should show substantial improvement when peace comes.

INTERNATIONAL PAPER — Overcapitalized. Canadian competition has been an adverse factor and accumulated dividends on preferred stock make common dividends seem a long way off. Higher paper prices mean larger earnings.

LOOSE-WILES—Affected by high wheat prices and consequent high flour prices. Should show much improvement when peace is declared.

MOLINE PLOW—In somewhat the same class as Deere, and International Harvester Corporation. Peace should mean better things.

MONTANA POWER—Has profited greatly from the activity in mining districts due to high price of metals. In this respect it has benefited from the war.

NATIONAL BISCUIT—See Loose-Wiles above.

PULLMAN—Has benefited considerable in renewal of large equipment demand from railroads in this country and abroad. Is likely to do better with further improvement in this demand which is expected.

U. S. REALTY & IMPROVEMENT—Suffered from the general depression in building lines which started in 1914 and which continued long after other lines had recovered. Report for this year, ending April 30, expected to show substantial gain in gross and net and there is talk of dividend resumption in the near future. Stock should do better.

U. S. RUBBER—Earned 10.28% on common in 1915, compared with 8% in the previous year. Present rate of earnings ought to enable the company to accumulate sufficient working capital and be in a position to consider common dividends in the not distant future. Stock offers considerable speculative possibilities.

WOOLWORTH—Sales for first two months of this year reported 14% ahead of same period a year ago. A peace stock not affected by the war.

Of the foregoing companies it appears that the agricultural implement and the biscuit concerns are the ones which have actually suffered from war, speaking comparatively. They, therefore, would seem to be in the position to show enhancement in values when peace prevails.

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

"Demand for Money to Continue"—James B. Forgan

JAMES B. FORGAN, president of the First National Bank of Chicago and who returned recently to Chicago from the East, predicted a continuance indefinitely of the large demand for money. He said: "Surplus reserves here and in New York have worked lower, and rates are somewhat firmer. Rates, however, are still too low for profitable banking. Our profits this month are sufficient to cover dividend requirements, but that is about all."

"No Certainty for the Future"—Judge Gary

"NOT even of the immediate future," says Judge Gary, chairman of the board of the Steel Corporation, in New York *Independent,* "can we speak with any feeling of certainty. This war will end some time, of course, and it is my personal opinion that it will be ended sooner than most people think—by the economic exhaustion of the belligerents, if in no other way. One thing seems fairly sure. Whenever peace comes American business men must be prepared to face, temporarily at least, a falling off in our present enormous export trade. Moreover, the purchasing power of the whole world will have been greatly reduced, and in all the markets of the world there will be the keenest kind of competition based on cheap labor and low costs."

The First Shot.—*From the Detroit Times.*

"Our Present Prosperity Feverish"—James J. Hill

IN pointing out that the present is a most inopportune time for railroad employees to seek an advance in wages, James J. Hill describes the extraordinary period of business activity now being witnessed as a "feverish prosperity that may vanish overnight." He declares that when the war is over the question confronting American wage-earners will be that of finding a market for their labor instead of fixing a price for it.

Railroad employees could not choose a more inopportune time to ask for a general advance in wages. When the devastating war in Europe is over the question confronting American wage-earners will be that of finding a market for their labor instead of fixing a price for it.

The instant that peace is in sight (and no one can tell how soon this may be, because Europe cannot go on much longer destroying lives and property at this unprecedented rate) all this flood of orders for war materials at high prices will suddenly cease. Europe will then begin the slow and painful process of recovering from the great losses of the war.

Britain Discourages Investment in "Americans"

A STATEMENT with regard to the attitude of Great Britain toward investment by British subjects or companies in American securities and those of European countries was made by Chancellor of the Exchequer Reginald

McKenna in the House of Commons, following an inquiry by Sir Thomas Whittaker as to whether he would state what steps he had taken, or would take, in the national interests to prevent remittances being made for such investments:

In particular, I would point out that the remittance of money to America for the purchase of American securities and reinvestment in America of money available for remittance to this country is directly opposed to the objects of the Treasury's scheme for purchasing American securities. Securities purchased abroad cannot be dealt in on the Stock Exchange under the temporary regulations. Although these rules only apply to members of the Stock Exchange, most financial houses have throughout voluntarily observed the restrictions, and I rely upon a continuance of their assistance in discouraging investments abroad.

OUR TWO MOST SENSITIVE CITIZENS ARE GETTING USED TO CRISES

—Copyright, 1916, by John T. McCutcheon

A Year Ago. Today.

Enormous Copper War Order

A THRILL of apprehension went through American copper consumers when the report of contracts closed by the British government with American producers for tonnages of copper totaling between 200,000,000 and 300,000,000 lbs. The price was said to be in the neighborhood of 27c. a lb. The order is by far the largest ever reported. Commenting upon the copper situation, a trade authority said:

The filling of this order may make the metal actually scarce for some time to come. Production is expanding rapidly, but has not yet reached a point where it keeps much in advance of consumption. Stocks built up last year before buying began on a vast scale, have been cut down. While it is not expected that another Government order as great as the one just placed will be brought here for some time, the steady purchase for domestic and foreign account persuades refiners that an extended output will be taken up rapidly throughout the year.

Commenting upon the apathy which the copper stocks show in spite of the great demand for the metal, the *Financial World* offers the following explanation:

With copper at 28 cents a pound and a very good prospect, if the war continues another year, of attaining even a price above 30 cents a pound, which would establish a new record, copper stocks hesitate and falter. This is simply because, at their present level of prices the greatest courage must be exercised to buy some of them in the confident belief that the income on their high market prices will continue long enough to make such a venture profitable.

Large Industrial Cash Holdings

ONE of the reflexes of the tremendous prosperity which the industrial companies are experiencing is the large accumulations of cash which they piled up last year. In large part the inflow resulted from orders for war munitions, but the expansion of normal business contributed enough to indicate that manufacturing underwent an extraordinary improvement compared with the preceding year.

The following table, prepared by Dow, Jones & Co., shows the position of the companies, the figures being mostly those shown in the reports for 1915:

United States Steel	$110,000,000
Bethlehem Steel	15,000,000
American Smelters Securities	9,710,000
American Smelting and Refining	18,642,000
Kennecott Copper	33,000,000
General Electric	25,000,000
Midvale Steel	18,000,000
Central Leather	7,366,000
Phelps-Dodge	5,889,000
P. Lorillard	5,696,000
American Tel. and Tel	29,870,000
American Sugar	15,625,000
American Tobacco	6,539,000
United States Rubber	13,102,000
Studebaker Corporation	5,910,000

People's Gas	5,142,000
Sears-Roebuck	6,798,000
Armour & Co.	8,401,000
Swift & Co.	8,946,000
Total	$348,436,000

Security Holdings of Banking Institutions

FROM the report of the Comptroller of the Currency for 1915 and from the reports for 1914 and 1910 the *Financial Chronicle* has made up comparative statements of the security holdings of the various classes of banks in the United States. It appears that during the five years from 1910 to 1915 the aggregate of the security holdings of all kinds increased $1,158,600,000, rising from $4,723,300,000 on Jane 30, 1910, to $5,881,900,000 on June 23, 1915. Of this increase of $1,158,600,000, $37,800,000 is found under the head of United States bonds, $377,800,000 under the head of State and municipal bonds, $239,800,000 under the head of railroad bonds.

SECURITY HOLDINGS OF UNITED STATES BANKING INSTITUTIONS

	State Banks	—Savings Banks— Mutual	Stock	Private Banks	Loan and Trust Cos.	National Banks	Total of All
Number of banks—							
June 23, 1915	14,598	630	1,529	1,036	1,664	7,605	27,062
June 30, 1914	14,512	634	1,466	1,064	1,564	7,525	26,765
June 30, 1910	9,839	638	1,121	679	905	6,012	19,194
U. S. bonds—	Millions	Millions	Millions	Millions	Millions	Millions	Millions
June 23, 1915	$2,8	$17,0	$5,5	$0,3	$2,1	$783,5	$811,2
June 30, 1914	2,9	17,1	0,5	0,3	3,4	799,3	823,5
June 30, 1910	2,1	23,5	8,5	0,4	1,3	737,6	773,4
State and municipal bonds—							
June 23, 1915	$101,7	$848,6	$54,3	$3,7	$241,2	$244,5	$1,494,0
June 30, 1914	90,7	847,9	24,1	3,9	210,8	176,0	1,353,4
June 30, 1910	63,9	714,8	28,7	2,3	144,5	162,0	1,116,2
Railroad bonds—							
June 23, 1915	$81,2	$818,5	$21,1	$3,5	$401,1	$379,2	$1,704,6
June 30, 1914	76,6	846,0	13,6	2,1	395,3	341,7	1,675,3
June 30, 1910	69,3	757,5	26,2	0,6	312,5	298,7	1,464,8
Other public utility bonds—							
June 23, 1915	$66,7	$109,2	$34,1	$1,2	$232,4	$220,3	$663,9
June 30, 1914	50,8	83,6	4,9	1,7	224,7	218,2	583,9
June 30, 1910	44,5	87,4	32,7	1,1	159,3	153,0	478,0
Unclassified—							
June 23, 1915	$168,0	$76,5	$43,3	$6,6	$472,8	$440,9	$1,208,2
June 30, 1914	167,3	60,9	105,6	8,3	427,1	379,6	1,148,8
June 30, 1910	123,8	92,9	24,8	6,0	382,7	260,6	890,9
Total—							
June 23, 1915	$420,4	$1,869,8	$158,3	$15,3	$1,349,6	$2,068,4	$5,881,9
June 30, 1914	388,3	1,855,5	148,7	16,3	1,261,3	1,914,8	5,584,9
June 30, 1910	303,6	1,676,1	120,9	10,4	1,000,3	1,611,9	4,723,3

Life Insurance Cos.' Stock Holdings

GOVERNOR WHITMAN of New York on April 3 signed Senator Towner's bill, passed at the current session of the Legislature, which amends Section 100 of the Armstrong Law by extending for five years from Dec. 31, 1916, the period within which domestic life insurance companies are required to divest themselves of all stock holdings other than those of municipal corporations, and of bonds not secured by adequate collateral. Under the Armstrong Law the life insurance companies were required to dispose of their corporate stock holdings within five years from Dec. 31, 1906. A bill extending for a further five years, or to Dec. 31, 1916, the time within which they might divest themselves of such holdings, was passed in 1911. The bill just signed by the Governor extends the time to Dec. 31, 1921.

THE U. S. WAR-SPIRIT EXPRESSED GEOGRAPHICALLY

Investment in New Oil and Gas Stocks

GENERAL prosperity in this country has awakened investment activity as never before, and the oil trade is holding its own in this connection, even though threatened with eclipse for some time by specialties having to do with war munition contracts, says the *Fuel Oil Journal.*

The following table shows the amount of capital put into new oil and gas companies since the beginning of the war:

1914.	Companies.	Capital.
August	15	$7,892,000
September	9	3,040,000
October	14	3,330,000
November	15	11,990,000
December	24	11,985,000
Total	77	$38,237,000
1915.		
January	13	$2,500,000
February	11	2,805,000
March	12	1,213,000
April	16	5,060,000
May	12	2,785,000
June	15	17,175,000
July	25	8,535,000
August	6	710,000
September	21	9,160,000
October	17	14,355,000
November	22	8,250,000
December	26	7,985,000
Total	196	$80,533,000
1916.		
January	31	$12,074,000
February	27	163,915,000
Total	58	$175,989,000
Grand total	331	$294,759,000

Stock Exchange Transactions

TRANSACTIONS in stocks on the New York Stock Exchange during March aggregated 15,133,010 shares, an increase of 2,928,099 shares over February and of 8,255,847 shares over March, 1915. The following table, compiled by *Bradstreet's,* gives transactions in stocks for March and since January 1, this year, with comparisons:

	March.		Three mos.
1916	15,133,010	1916	43,278,182
1915	7,877,163	1915	17,333,471
1914	5,862,153	1914	22,200,782
1913	7,183,322	1913	22,558,962
1912	14,548,838	1912	32,548,895
1911	6,920,788	1911	27,475,561
1910	14,991,901	1910	55,103,047
1909	13,649,919	1909	43,266,206
1908	15,894,538	1908	42,427,919
1907	32,250,842	1907	71,748,791

Sales of all classes of bonds aggregated $80,810,700, a decrease of $2,540,300 from February, but an increase of $18,006,200 over March, 1915. Comparisons follow:

	March.		Three mos.
1916	$80,810,700	1916	279,709,200
1915	62,804,500	1915	163,039,000
1914	60,573,000	1914	219,353,000
1913	40,417,000	1913	142,702,500
1912	68,912,500	1912	233,587,500
1911	63,979,000	1911	226,917,000
1910	75,491,800	1910	226,574,300
1909	85,753,000	1909	334,388,500
1908	62,991,320	1908	209,523,520
1907	53,958,500	1907	139,166,000

April Dividend Disbursements

FIGURES compiled by the *Journal of Commerce* show that in April a total of $199,740,652 will be paid to investors, representing dividends and interest disbursements. This is the best showing for April in a number of years and compares with $181,007,486 in the corresponding month in 1915.

Opinion in Banking and Brokerage Circles

National City Bank.—Rumors of peace negotiations are to be expected with increasing frequency as the war wears on, but as yet there seems to be little reason to believe that the belligerent governments could meet, with probability of reaching an agreement. The Allies would entertain no proposal based upon the present occupation of territory by the German armies, as they hold that their command of the sea is of more importance, as affecting the final outcome of the war, than the German successes on land. It is improbable that either side would be satisfied to end the war now in a draw. The conditions are not favorable to early peace.

Hayden, Stone & Co.—In regard to the current market conditions, we feel that a large distributive process is under way; the times have been, and still are, very favorable to such a process. Probably there are some some speculative coteries with blocks of securities still on their hands. Present conditions are, naturally, bound to give rise to many new combinations. Some of these will disappear, but the more meritorious will survive.

J. S. Bache & Co.—The situation in the security market reflects the maze of uncertainties surrounding important events in the world. Only a few things are certain, and if movement in the price list depends upon prospects and the facilities for judging these are shut off or clouded, there is nothing to do but to wait. Throughout, there is an undeniable undertone of strength. Cautious capital waits outside of the market. Those who have decided to dispose of their commitments and also wait, have done so. Stockholders are already receiving very large additional sums of profits on securities and the expectation of further distributions gives an atmosphere of restrained optimism to a market.

Sheldon, Morgan & Co.—Despite the appearance of activity, commission house transactions remained restricted, undoubtedly in keeping with the notion that the outcome of the submarine issue cannot be discounted, because it cannot be foreshadowed.

Richardson, Hill & Co.—Turning from over-sea factors to coming events at home, we find two familiar but important seasonal developments which eventually will leave their impress on the stock market—crops and politics. While these influences are not yet sharply defined enough to point unmistakably towards higher or lower prices for securities, the existence of abundant and increasing prosperity in the iron and steel industries, coupled with a plethora of money available for legitimate enterprise and for speculation as well, are the most important basic domestic factors likely to affect the stock markets. They should produce a gradual hardening of prices for standard securities which is likely to gather momentum as it progresses, if not halted by foreign developments.

OFF FOR THE "FRONT"

National City Bank of Chicago.—The assimilative powers of the American investing public is an astonishing feature of the present situation. Nearly all the securities returned by Europe have been absorbed without causing unsettlement. There has been heavy liquidation at times during the past month, but the selling has been well handled and in cases where the offerings were largely in excess of the demand, they have been pledged as collateral for loans with which to carry the securities until such time as they could be disposed of without detriment to market conditions. This selling has been an important factor in sustaining the New York quotation for London bills and it is evident that the exchange market has been protected sufficiently to prevent any further sensational declines, barring of course the development of new complications abroad.

Edward B. Smith & Co.—The thing is to get into the mind's eye a clear picture of what the current double-shift, day and night, maximum capacity, throbbing activity in the iron and steel industry is producing. The dollars-and-cents lights in this picture glow, as tremendously vivid as the lurid glare of the furnace and rolling mill. Very probably the average profit today on steel products approaches 100%. That being the case—$2 received for what it costs $1 to produce—the profits now being won out of this chief single manufacturing industry can be guessed. Take it another way.

The Machinery of Wall Street

Why It Exists, How It Works and What It Accomplishes

II. The Banks — Bank Statement — Clearing House — Sub-Treasury

By G. C. SELDEN

THE modern bank grew up out of the ancient business of money-changing, or exchanging the money of one country for that of another. That business was always unpopular because the money-changer did not appear to be doing any real work for the profits he made out of the exchange, and because the money-changers often drove unfair bargains with those who were at their mercy.

The Middle Ages did not recognize the legitimacy of interest on borrowed money. It was looked upon as extortion, the economic function of capital being altogether too abstract a conception for the people to assimilate—and that is still true of many untrained minds in every country.

Most of the diatribes against the "Money Power," the "sharks of Wall Street," and so on, are really the offspring of this ancient prejudice. It is, perhaps, an evidence of the natural selfishness of mankind that the money-lender has always been hated by the borrower, with or without cause; but the advent of the corporation has done much to remove this prejudice by taking the personal element out of business.

The first bank worthy of the name is supposed to have been established in Venice in 1157. The word bank signified a "pile" or "mass" of funds. The early Italian banks were chiefly for the handling of government obligations. The next step was for the bank to undertake the care of money for individuals and firms, and at a later date for corporations. Money so deposited is always subject to the order of the depositor, either on demand or at a certain date, or after a specified notice.

Interest may or may not be paid on these deposits, according to the agreement; but to pay the cost of handling the money, and the interest, if any, the bank is allowed to lend the deposits out at interest, always keeping in hand a certain amount of cash to meet the current demands of depositors. In this simple way we arrive at the main items of the modern "bank statement"—deposits, loans and reserves.

Trust Companies are chartered under State laws, and are authorized to do a general banking business, but cannot issue currency, that power being reserved for banks having the National charter. Trust Companies may also undertake almost any kind of trust as their name indicates, and engage in nearly every kind of legitimate business. They are of recent development. The first one was established in New York in 1822, and as late as 1871 there were none in Boston.

Trust Companies at first confined themselves to handling funds left in trust, but as they were not so closely restricted by law as the banks they gradually found themselves able to pay a higher rate of interest on deposits, and hence did more and more a general banking business. In New York they are now almost equal to the banks in importance.

The Bank Statement

All banks—except private bankers—issue public statements of their condition from time to time. The U. S. Controller of the Currency calls for such statements from all National Banks about once in two months. The exact date is not fixed until after it is past, to prevent the banks from making special preparations for the statement.

The banks of several of the big Eastern cities issue statements weekly, for the convenience of the public. Far the most important of these weekly statements is that of the banks and trust companies which are included in the New York Clearinghouse. It is given out on Saturday, and is printed or summarized

in the leading newspapers throughout the country.

Although at first glance the Bank Statement appears rather formidable, its main features are simple enough. Each institution gives its capital; its net profits; the total of its loans, discounts and investments; the amounts of various kinds of money it has on hand; the amount of cash it has on deposit in other banking institutions which, under the law, may be counted as a part of its reserves; its own "net deposits"—that is, the total of the funds that have been placed in its care; and, in the case of a National Bank, its outstanding "circulation," or the total of the currency which it has itself issued.

The figures given out for each of the above items represent the average for all the days of the week covered by the statement. The average is used to prevent any temptation to "window-dressing," or trying to make an especially good showing for the particular day of the report.

The several items are then totaled in three groups—banks which are members of the Federal Reserve system; State Banks not members of Federal Reserve; and Trust Companies not members of Federal Reserve. Finally, the three groups are combined to give the total of each item for the entire Clearing House.

A supplementary statement is also issued showing the totals for each of the three groups on the day the statement is issued. This is called the "Actual Condition," and is in most general use for judging money conditions, since it gives the latest available information.

As the provisions of the new Federal Reserve law in regard to reserves are somewhat complicated, a special statement is added showing the "Reserve Position," both average and actual.

With such complete weekly statements of the condition of each bank, manipulation of the accounts becomes impossible, and the statement of the New York Clearing House is perhaps the most important weekly financial showing in the world. Its only possible rival would be the statement of the Bank of England, and since that does not cover other London banking institutions it is necessarily less comprehensive. Certainly no other table of figures will show the trained observer so much about financial and economic conditions in the United States.

Surplus Reserves

The figures most closely watched by Wall Street are the Surplus Reserve and the relation between "Net Demand Deposits" and "Loans, Discounts, Investments, etc." The reserve consists of two parts—cash in vault, and reserve in the hands of other depositaries as permitter by the law—and this total reserve must equal or exceed a specified percentage of each bank's own deposits. If for any temporary reason a bank's reserve falls below this percentage of deposits, the reserve must be restored to the legal requirement at the earliest possible moment, and State and Government officials will see that this is done.

When, on the other hand, the reserve exceeds the legal requirement, as it nearly always does, a "surplus" reserve arises, and the amount of this surplus shows the relative strength of the bank's cash position. Hence this item is carefully watched as an index to the supply of money available for loans. Since a great many securities are always being carried by their owners partly on money borrowed from the banks, the amount of this surplus reserve has a more or less direct relation to the stock market.

The relation between deposits and loans is not so generally understood as the surplus reserve. These show not so much the condition of the banks as the condition of the business men who are their patrons. When the banks' customers are depositing more money than they are borrowing, they are manifestly prospering. When they are borrowing more than they are depositing it is evident that they are not so prosperous, and when this condition continues for a long time a danger point may be reached where some business men have difficulty in meeting their loans and may even have to fail.

Under normal conditions the total

loans of Clearing House institutions are somewhat greater than deposits, because a bank may lend not only the money that other people deposit in it but also its own money—that is, its capital and its surplus of net profits. Hence if deposits exceed loans, a very strong position is shown; but when the loans begin to show a large excess over deposits the situation will bear watching.

The Clearing House

The "clearing" of numerous transactions between two or more persons by offsetting one debt against another and so simplifying the payments to be made, is a custom so old that its beginnings can hardly be traced. In Roman law it was called *compensatio*. The principle was used throughout the Middle Ages and it is rather surprising that the New York Bank Clearing House was not organized until 1853.

It is a slow process for each bank to collect checks from all the other banks separately, involving a great waste and duplication of time and labor. This is avoided by establishing—to quote from the Pennsylvania Supreme Court—"a place where all the representatives of the banks in a given city meet, and under the supervision of a competent committee or officer selected by the associated banks, settle their accounts with each other and make or receive payment for balances and so 'clear' the transactions for the day for which the settlement is made."

Every bank is, in essence, a merchant of credit, constantly buying credit from its depositors and selling credit to its borrowers; and credit which is vouched for by established banking institutions is practically a uniform commodity. Since Wall Street is a sort of central market for this credit, serving the whole country, there are a vast number of credit transactions which may be offset against each other without cash payments. New York City bank clearings for 1915 were $110,563,374,000, which was 59 per cent of the total for the whole United States. Moreover, the ten largest New York banking institutions clear more checks than all the rest of the Clearing House combined, so that the handling of the country's credit is pretty well centralized.

Whether or not there are dangers arising from this extreme centralization, it is exceedingly convenient and efficient. Each institution sends two clerks to the Clearing House every day, one to present checks to other banks and one to receive checks from them. The process usually takes only a few minutes. Seven of the biggest institutions clear their mutual exchanges by themselves an hour earlier, in order to accelerate the final clearing.

Payments amount to about four per cent of the total clearings, as a rule. They are sometimes made in cash and sometimes in Clearing House certificates representing deposits of cash by member banks in the Clearing House vaults.

The Clearing House also serves the purpose of bringing all the banks together into a central organization for other objects besides the simple process of clearing checks. Banks which are entirely solvent, but have become involved in temporary difficulties, are often assisted by the Clearing House and thus saved from suspension; and, in times of panic, Clearing House loan certificates have several times been issued to take the place of money. In 1907 this practice spread all over the country, and was undoubtedly the means of preventing a general crash. In future the notes issued by the Federal Reserve banks will obviate the necessity of Clearing House loan certificates.

The Sub Treasury

Of the nine sub treasuries which act as branches of the Treasury Department at Washington in receiving money and paying Government bills, the one in the Wall Street district handles about two-thirds of the total business.

The relations of the sub treasury with the banks are necessarily close. The assistant treasurer, who has charge of it, is a member of the Clearing House, and in times of stress he is in frequent consultation with leading bankers and co-operates with them in handling the situation.

The sub treasuries were established in 1846 because the Government had lost considerable money through the failure of depositary banks in which it had been kept. From then until the establishment of the National Bank system in 1864 the Government kept entirely free from the banks, and even after that most of the Government's balances were held at the various sub treasuries.

In times of prosperity the Government receipts were naturally large and consequently the sub treasury withdrew a great deal of money from the market just when it was most needed. In recent years, therefore, it became necessary for the Secretary of the Treasury to deposit Government money in the banks at times to prevent stringency in the money market.

Now that the twelve Federal Reserve Banks are in operation the sub treasuries are beginning to look like an unnecessary duplication of Government facilities, since the banks could without difficulty perform all the work.

(*To be continued.*)

Next article will take up the money market.

Government Regulation Not Destruction

We want government publicity for business methods that are wrong; but we don't want government prying into and government espionage of all the details of business. We want enough government control to hinder and punish wrongdoing; but we don't want enough to restrict and burden business men in everything they do, whether right or wrong. We want government action that will correct abuses; but we want it to be of a kind which will at the same time stimulate the development of commerce and industry along all legitimate lines. We want government action that will protect every man in his rights; but we don't want government action which will deprive any man, however rich, of the just fruits of his labors, to transfer them to any other man, however poor. We want government regulation that will promote equity in the distribution of wealth; but we don't want government regulation that will interfere with the production of wealth or with the marketing of what is produced in competition with the producers of other countries. In brief, we want government regulation of business, but not government destruction of business.—Samuel O. Dunn, Editor *Railway Age Gazette.*

Money and Exchange

Foreign Influences on Our Money Market

FOR over a year, ever since the balance of trade turned so strongly in our favor, our money rates have been almost stationary at a low level. That is a natural development after every panic such as we had in 1914. The sharp contraction of general business and the drop in security prices at such times release a great deal of money and, when normal conditions are restored this leaves on hand a surplus which is not fully absorbed into use again for a year or more thereafter.

But in this case, the 1914 panic being entirely of foreign origin, foreign influences have had much more effect than was the case following other panics. For example, our net imports of gold in the year 1915 were $420,528,000—an amount equal to nearly two-thirds the total amount of cash held by all National Banks in the U. S. at the end of the year 1914. These big gold imports were, of course, the result of a foreign condition—the war demand for our products. While this gold was flowing toward our shores low money rates must necessarily prevail.

Other important foreign influences are now in operation. A good deal of money belonging to foreign investors is undoubtedly being allowed to accumulate in New York banking institutions or being invested in American securities, for safety and to avoid the heavy war taxes. Any foreign investor who sends money to New York now must do it secretly, hence it is impossible to estimate the extent of the movement, but it is important enough so that it was recently discussed in the House of Commons and the Government then stated that every effort was being made to prevent capital from leaving the country in this way and that the London banks and brokers were cooperating by generally refusing to accept money for such a purpose.

In most cases these foreign cash balances in our banks represent the proceeds of foreign-held securities which have been sold and the amount left here on deposit. It is a difficult matter for any one actually to transfer his bank balance to America from a belligerent country. But in either case the presence of this money has its effect toward keeping our interest rate low.

On the other hand we are lending a great deal of money abroad, which has an influence toward raising our interest rates. So far it has not had any noticeable effect because we had such a big surplus of capital available that we did not miss the amounts loaned abroad.

The total of our loans and credits to foreign countries is now considerably over $1,000,000,000 net—that is, we have loaned about $1,100,000,000, but some of the short term loans have already been paid off.

It is of course true that hardly any of this money has actually left this country, since it has been used to pay for goods bought here; but the whole operation has the effect of increasing the loans and deposits of our banks and thus raising their reserve requirements, and this tying up of cash in bank reserves reduces the quantity available for domestic loans.

Wall Street now expects the floating of further foreign loans here, although nothing definite has been given out on the subject. If the war is a fight to the finish—and there is so far no real evidence that it will be anything else—both sides will certainly borrow all they can in America or anywhere else.

American investors are rather timid about lending money to the belligerent nations direct, and it seems probable that the loans already floated have nearly filled up the demand for foreign Government bonds; but London is busily accumulating American securities to serve as collateral on this side and can undoubtedly borrow a good deal more of our money on that basis.

But Europe may yet be obliged to send us more gold in order to maintain the exchange rate, or in other words to pay for goods bought from us, and that would contribute mightily to further ease in our money market.

BONDS *AND* INVESTMENTS

Future of Divisional Bonds

Are They Losing Popularity With Investors?—How Some Divisional Bonds Have Fared—Tendency Towards Blanket Mortgages

By CHARLES F. SPEARE
Financial Editor, N. Y. Evening Mail

A PROFESSIONAL man with $50,000 to invest recently went to talk with his banker regarding the character of securities in which he should place his funds. There was recommended to him one of the Chicago, Burlington and Quincy Railroad divisional 4 per cent. bonds. Now, the Burlington is in a class by itself when it comes to making transportation profits. While other roads are complaining it is going along comfortably and earning anywhere from 12 to 16 per cent. on its stock. It has a profit and loss surplus of over $98,000,000, with stock outstanding of only $110,839,000. Nothing, it would seem, could disturb any one of its securities. Yet the investor shook his head and passed up the Burlington divisional suggestion.

One may properly ask why such an attitude as this should be assumed toward a bond, or a group of bonds, for the Burlington has mortgages covering its Illinois, Iowa, and Nebraska divisions, where it has passed all strict investment requirements, and is legal for savings banks in New York, Massachusetts, Connecticut, and Vermont. The reply is that the divisional bond, *per se*, has been injured by the position which bankers have taken toward it in recent reorganizations, and by the evidence that there will be an increasing discrimination against mortgages that cover only a small part of the total mileage of a system.

" Mop " Reorganization Plan

The first intimation that trouble was brewing for the railroad divisional bond came when the Missouri Pacific reorganization plan was published. This took the breath out of holders of such issues as the Lexington division first mortgage 5s, the Leroy & Caney Valley first mortgage 5s, Kansas City Northwestern first mortgage 5s, Boonville, St. Louis & Southern first mortgage 5s, and the Central Branch first mortgage 4s. These bonds had been sold as prior liens on what were supposed to be essential parts of the system. It was, therefore, a shock to be told that " these four issues of bonds (meaning the first mortgage 5s listed above) are secured by first mortgages upon branches which it is believed could, without material detriment, be dropped from the system." Further, it was stated, " none of these branches has for some time past yielded any substantial excess above operating expenses, while some of them have been operated at an actual loss."

These first mortgage bondholders are being offered 100 per cent. in new preferred stock. They were a part of the company's creditors, but are asked to become shareholders. The plain language of the reorganization plan is that if they do not like it they may take their property and operate it independently. The Central Branch first mortgage 4 per cent. bondholders were told that their divisions had not, " for some time past earned any substantial amount above operating expenses and were not indispensable to the system," but because the branch originated desirable traffic in favorable crop years, " it is believed to offer somewhat greater potential future value to the system than the lines securing the four bond issues " (meaning the first mortgage 5s above mentioned). Accordingly the Central Branch first mort-

gage 4s are to be given 50 per cent. in new general mortgage 4s and 50 per cent. in new preferred stock.

Worse Ahead for Divisional Bondholders

There are other stunning blows in sight for divisional bondholders. The next one to fall will be on the owners of the different parts of the Missouri, Kansas & Texas Railway, now in receivers' hands, and being carefully dissected for the purpose of making every mile of the reorganized railroad pay its own way. There has never been a more loosely constructed financial plan than that which holds together this railroad. It is fearfully and wonderfully made, and it is likely to be fearfully and wonderfully unmade. Wherever there was a sidetrack, or a shop or some equipment, it was plastered with a mortgage. It is hard to tell where equities begin and where they end. It looks now as though the refunding mortgage had a stronger position than the second mortgage which is considerably senior to it in rank. The general mortgage well justifies the term under which it is classified. But here again the tragedy is to be staged with the various divisional bonds as the chief sufferers. Among these issues are the Missouri, Kansas & Texas of Texas first 5s, the Missouri, Kansas & Oklahoma first 5s, the Texas & Oklahoma Railroad first 5s, the Kansas City and Pacific Railroad 4s, the Sherman, Shreveport & Southern Railway first 5s, and the Wichita Falls & Northwestern 5s, all of which are in default except the last named. In fact, practically every mortgage on the system has deferred its interest. No such complete confession of insolvency has been made by any important railroad in the receiverships of the last few years. The road simply has not had sufficient cash to pay its first ranking financial obligations.

M. K. & T. Divisional Bonds

The holder of the various Missouri, Kansas & Texas divisional bonds will very shortly have presented to him the fact that the earning capacity of his part of the entire property is not sufficient to carry the bonded indebtedness that now exists, and that, to make it henceforth a paying part of the system, it is thought best to scale down the bonds and substitute for the amount lopped off an income bond of a preferred stock; in other words, to transform a fixed charge into a contingent charge depending on earnings. Data has been secured, showing specifically the amount of revenue which these different divisions originate as well as what belongs to them for conveying over their mileage to some other division, through traffic. It has been learned that the Oklahoma division has earned its fixed charges one year in the past three years, that the Missouri, Kansas & Texas of Texas 5s have seldom, if ever, earned their interest, for the operating ratio of the lines south of the Red River has frequently been 100 per cent. or more of gross earnings, and that separate divisions like the Texas & Oklahoma and the Kansas City & Pacific, might possibly be dispensed with at no great loss to the welfare of the main portions of the line.

Case of Pere Marquette

Again, the problem of the divisional bondholder will have to be faced in the Pere Marquette reorganization. So far as this plan has been developed, it also appears to discriminate against the holder of such parts of the property as have apparently become worn out, in an economic sense, and are regarded as obsolete. One such division toward which attention has been drawn is the Port Huron division covered by $3,325,000 of first mortgage 5s in default for the past two years. In the 'Frisco reorganization various divisional bonds were well treated. There are some in the Rock Island system that will probably have to submit to a scaling and otherwise modifying process when the terms of the plan are agreed upon.

There are two points of view which may be taken in this growing controversy. If it is established that a once prosperous division has worn out and cannot contribute its *pro rata* to the treasury of the parent company, and that, for strategic purposes, it is valueless, justification would seem to exist for

a modification of its mortgage status. There are unquestionably many such situations in the railroad world. It is not enough that the holder of the divisional bond has bought it on good faith on the assumed earnings and relation to the system proper. It is part of his business as a trustee of his own or some one else's funds, to watch the changes that are going on within the scope of his investment. Not infrequently he is blinfolded by his banker, and accepts too much on faith and investigates too little. The great danger of reorganizing with the divisional bond bearing the burden of sacrifice, and this is the second point of view, lies in the hasty appraisal of the future importance of a division to the rest of the property. Instances in this country where tracks have been torn up because there was no further employment for them, no economic justification so to speak, are extremely rare. If the Southern Railway, which has about twenty different divisional bonds, had been reorganized at any time within the past dozen years, it is quite probable that mortgages covering four or five of these divisions would have been superceded with income bonds or stocks, for the traffic in lumber, which was the occasion for these divisions, did not at one time seem to warrant their continuance. To-day, however, these divisions traverse rich agricultural sections with cotton fields located where there were pine forests and earnings per mile even higher than when the divisions were first built. This same transition is likely to occur in other cases, and even on some of those divisions whose earning capacity is just now under question. The divisional bondholder, therefore, has a right to know what the returns on his part of the property have been for a longer period precedent to receivership than two or three years, and what the promises of the next five or ten years, rather than of the next two or three years, may be.

Total of Divisional Bonds

When one considers that there is a total of something like one hundred different divisional bonds on about a dozen prominent railway systems in the United States, it becomes a serious question as to whether mortgages of this character are going out of fashion with investors, as have, in turn, debentures, collateral trust mortgages and, more recently, convertibles. There is a very strong effort being made by all of the great transportation lines to create general, or "blanket" mortgages, under which all portions of the system will be given equal treatment and have a uniform credit. It will be a great many years, however, before this can be effected, because large numbers of divisional bonds do not mature until after 1940 and 1950, and there is no disposition to anticipate payment of them.

In practice it is really more important to the typical investor to select a good bond house than it is to study the various methods of discriminating between good and bad bonds. —Paul Clay in *Sound Investing*.

Bond Inquiries

N. Y. & Jersey R. R. 5's

V. D. J., Binghamton, N. Y.—New York & Jersey Railroad first mortgage 5's, due 1932, are a first mortgage on part of the up-town section of the Hudson tubes and we believe them to be a high grade investment. They underly $944,000 Hudson & Manhattan Railroad 1st 4½'s and about $70,000,000 refunding and income 5's. The finances of the Hudson & Manhattan Railroad were readjusted a few years ago and these bonds were undisturbed.

So. Pacific Convertibles

W. O. B., Fort Atkinson, Wis.—We consider Southern Pacific convertible 4's at the present market price to be an attractive investment and that there are prospects of a rise in price. The bonds are convertible on or before June 1, 1919, into common stock at $130 per share. In other words, the holder of $13,000 of the bonds has a call on 100 shares of Southern Pacific stock any time on or before June 1, 1919. We should prefer to this bond, the Southern Pacific convertible 5's which are convertible into stock at par. The conversion privilege in this case is of course much more valuable, especially as it does not expire until June 1, 1924.

N. Y. Railway Income 5's

J. O. L., Syracuse, N. Y.—We consider the New York Railway 5% income bonds an excellent speculation at present levels. For the first six months of 1915, 1.37% interest was paid on the bonds. It is understood that a compromise has been effected between the interests representing the bond holders and the directors of the company, and that for the second six months of 1915, the interest payment will be over 3%, bringing the total for the year to about 4½%. For 1916 it is estimated that the earnings will be sufficient to enable the company to pay the full 5% on the income bonds. Third Avenue Railroad 5% income bonds naturally sell very much higher as the 5% is earned with a large margin to spare.

Col. Industrial 5's

H. E. B., Providence, R. I.—Colorado Industrial 5's are guaranteed principal and interest by the Colorado Fuel & Iron Company which has not always earned its interest charges. Separate earnings for the Colorado Industrial Company are not published. The bonds are secured by a first mortgage on 83,000 acres of mineral and frontage lands in Colorado and Wyoming, and leasehold interest in additional 43,000 acres; and further secured by a first lien on certain stocks and bonds, some of which are overdue.

Nor. Canada Power 6's

B. S. J., Augusta, Maine.—The Northern Canada Power Company first mortgage 6's of 1928 are secured by a first mortgage on all the property of the company including hydro-electric plants of 9500 horse power, transmission lines, and an additional unit of 2300 horse power in the course of installation. The company operates in the Porcupine mining district of Ontario and it claims that its output has been contracted for during the life of the Porcupine mines. In 1914 net earnings were about three times interest charges and the present monthly rates show larger earnings. An annual sinking fund provides for practically the entire issue before maturity. In general, it is not well to invest in securities of public utility companies which sell their products to single industries, and some power companies in mining districts have shown disastrous results.

Norway Bonds

L. F. H., New Rochelle, N. Y.—We consider the Kingdom of Norway bonds to be a high grade investment, safe as to principal and interest, but we would not advise an investor of average means to purchase obligations of a foreign government especially of a small country. We see no reason for a man placing his money at such a distance when so many good bonds can be purchased here.

New Orleans Municipals

B. A. S., Batavia, N. Y.—We know of nothing detrimental regarding New Orleans municipal bonds, especially the issue of 5% public improvements. These are issued serially and there is no reason why those of 1927 should not prove a safe investment.

We understand that bonds of New Orleans are held by some very large insurance and financial institutions. For instance, the Mutual Life Insurance Company, the Equitable Life Insurance Company, and the Metropolitan Life Insurance Company, own in the neighborhood of $2,000,000 of New Orleans bonds. Recently one of the largest trust companies of New York City purchased about $1,500,000 of New Orleans bonds at a premium and resold the earlier maturities on a 4¼% basis.

B. & O. Convertible 4½'s

D. M. L., Lawrenceville, N. J.—We consider Baltimore & Ohio convertible 4½'s an excellent investment, and one which may show considerable appreciation in value. We do not expect much of an upward move in these bonds in the immediate future, however.

RAILWAYS & INDUSTRIALS

John D. Rockefeller Jr.

Reconstructing Col. Fuel and Iron

Progress Under the Rockefeller Regime—Obstacles to be Overcome—Outlook for Dividends.

By CHAS. R. FOOTE

"ROCKEFELLER patience and Rockefeller persistence is now the keynote of the future of the Colorado Fuel & Iron Co.," said a big banker at the time, some dozen odd years ago, when the Standard Oil man obtained control of the company. " When John D. Rockefeller puts his hand to a proposition of this kind you may depend upon it that he will never let go at a loss. He will see it through to the finish."

Events have sustained this forecast. Rockefeller representatives have been steadily at work reconstructing the economic and financial make-up of this company in the same manner as they are directing the affairs of the American Linseed Co., refusing to be moved or swerved from their carefully developed plans of putting both of these companies in the class with other prosperous corporations.

A Gigantic Task

Truly an almost super-human undertaking, the rebuilding of the Colorado Fuel & Iron with its legacy of poor management, stock market exploitation and excessive bonded capitalization. One may compare the old Colorado Fuel & Iron Co. to a supine giant, weighted down with its own flesh; an improperly co-ordinated, widely spread-out inefficient mass of a corporation, whose very vastness was the chief obstacle to its progress. The corporation had discounted the future to such an extent that years were required to build up equities behind the company's securities and accumulate a working capital that should make further financing unnecessary.

John D. Rockefeller, Jr., whose picture appears at the head of this article, is a director of the company but not an officer, while the elder Rockefeller is neither an officer nor a director. Vice-President S. J. Murphy, Treasurer L. M. Bowers and Director Ivy Lee are Rockefeller men and the company is thoroughly a Rockefeller organization.

Rockefeller Holdings

John D. Rockefeller, Jr. represents his father's interests in the company and recently he made a statement as to the Rockefeller holdings. He denied that the Rockefeller holdings represented a majority control and stated that they con-

sisted of 138,807 shares, or 40 per cent. of the common stock, 7,943 shares or about 40 per cent. of the preferred, $14,-450,000 of 5 per cent. bonds of the Colorado Industrial Co., or 43 per cent. of that issue. In addition to the foregoing the Rockefellers own $366,000 of general 5 per cent. bonds of the Colorado Fuel & Iron Co. While they, strictly speaking, may not own an actual majority of the company's securities, their holdings, nevertheless, are sufficient to afford substantial control.

Properties and Some History

Under the laws of Colorado the company was incorporated in 1892, as a consolidation of the Colorado Coal & Iron Co. and the Colorado Fuel Co. The latter owned the Grand River Coal & Coke Co., subject to incumbrances. The Atchison, Topeka & Santa Fe coal properties, consisting of steam and coking coal mines at Starkville, Brookside, Rockvale and Vulcan, including coke ovens, extensive coal lands and yards at Denver and Pueblo, were leased under a contract which included furnishing coal to the Atchison lines. The properties are operated on a fixed rental with a royalty on the tonnage actually mined.

When the company's charter expired in 1912 it was renewed for twenty years. In June, 1913, the stockholders authorized the cancellation of $14,067,000 debenture bonds outstanding of the Colorado Fuel & Iron Co. These bonds were trusteed under the Colorado Industrial Co. mortgage, and the properties of the latter company at the time of the bonds' cancellation, were transferred to the Colorado Fuel & Iron Co.

The present Colorado Fuel & Iron Co. owns and operates extensive steel works at Pueblo, Col., and has an annual capacity of 550,000 tons of finished steel products. The company's mineral resources consist of three iron mines situated in Wyoming, Colorado and New Mexico; 28 coal mines including the only anthracite coal mines west of Pennsylvania, 2,971 coke ovens and undeveloped iron, coal, agricultural timber and fireclay lands.

While the business of steel making west of the Rocky Mountains has not proved especially profitable, the company's holdings of natural resou:ces are of immense value and are estimated by competent judges to represent equities equivalent to the par value of the capitalization with a considerable margin to spare.

The Morley Camp

In the table which accompanies this article the income statements of Colorado Fuel are condensed for the last decade. It indicates how earnings of the company gradually improved until the 1914-15 years, but does not show the lean period which antedated 1906 and when annual deficits instead of surpluses were the order. In 1904 the company showed a deficit for the year of $1,585,000 and a deficit of $342,000, round figures, the succeeding year. After that a better era began. The preferred stock (8 per cent. cumulative) amounts to only $2,000,000 authorized and outstanding, which accounts for the very large earnings on the preferred as shown in the table. There is an authorized issue of $46,200,000 common, of which $34,235,500 is outstanding.

Referring to the tabulation, it appears that earnings grew steadily, but for many years the management ignored the preferred stock and allowed unpaid dividends to accumulate. At least a part of

the accumulated dividends might have been paid off annually, but the Rockefeller policy provided putting the company in a comfortable financial position before anything else. By 1912 the company was in such shape that the directors felt warranted in paying off 5 per cent. of the preferred dividends, which then aggregated in the neighborhood of 80 per cent. Early in the next year they declared a preferred dividend of 35 per cent.

The Big Strike

Just as it appeared that the company was in a position to entirely clear up the accumulated preferred dividends and that the common could begin to look forward to the time when it, too, might enter the dividend paying ranks, there occurred the great strike which received nationwide publicity. It is unnecessary to go into the details of that industrial conflict; sufficient to say that the company won but at the cost of something like $2,000,000. For the year ended June 30, 1914, there was a decrease of 40 per cent. in coal output, due to the strike, and the year as a whole showed a deficit of nearly a million dollars. It was obvious that further disbursements on the preferred stock were out of the question for the time being.

The next year showed but little improvement. There was a heavy slump in the demand for coal and the railroads reduced their rail orders to a minimum basis. Nevertheless the company kept the deficit for the year down to $335,000, round figures. In common with practically all of the large American corporations, Colorado Fuel suffered in the severe depression which prevailed after the war broke out and continued into 1915.

As a "War-Stock"

During the latter part of 1915 Colorado Fuel & Iron common featured as a "war-stock." In the speculative orgy of the "war brides" it attained a high price of 66½, or nearly double the high point attained in 1914. The usual rumors of tremendous munition orders for the company found the usual credulous listeners, but the sober facts of the case are that the company participated only indirectly and to a comparatively small degree in war business. One of its plants, for instance, received an order for 20,000 tons of shrapnel steel to be delivered at a Gulf port, and undoubtedly the company obtained some good business as a result of the war. But nothing like the absurd amounts reported. Finally President Welborn in one of his rare utterances effectually put a quietus to these exaggerated reports when he said:

"Reports being sent out concerning our sales to the French government are erroneous and decidedly misleading. Our orders from that source were for a tonnage of bars or practically billets, which

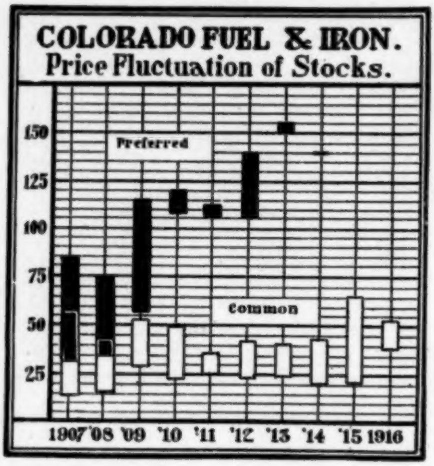
COLORADO FUEL & IRON

CONDENSED INCOME ACCOUNTS

YEARS ENDED JUNE 30

	Total Income	Fixed Charges	Net Income	% Earned on Pfd.	% Paid on Pfd.	% Earned on Com.	Year's Surplus
1915	$2,261,101	†$2,595,763	*$334,611	....	..	...	*$334,661
1914	1,651,247	2,557,215	*905,968	....	4	...	*965,968
1913	4,375,875	2,648,703	1,727,192	86.35	39	4.58	947,192
1912	4,448,975	2,647,746	1,801,229	90.06	5	4.79	1,701,229
1911	4,149,948	2,890,276	1,259,672	62.98	..	3.21	1,259,672
1910	4,369,535	2,862,716	1,506,819	75.34	..	3.93	1,506,819
1909	3,346,772	2,488,396	858,376	42.93	..	2.04	858,376
1908	2,880,494	2,586,128	294,365	14.72	..	0.39	294,365
1907	2,992,098	2,392,917	470,092	23.50	..	0.91	470,092
1906	3,064,729	2,522,006	671,812	33.55	..	1.69	671,812

† Including bond interest, taxes, sinking funds, rentals and prospecting charges.
* Deficit.



will be rolled at one of our mills and which will involve no additions whatever to our plants."

Another bull argument was found in the possibility of Midvale Steel Co. absorbing the Colorado Fuel & Iron Co. and for a while this rumor enjoyed a wide vogue. In the clear light of retrospect it seems unlikely that this amalgamation was ever seriously contemplated. The report having served its purpose, was allowed to die.

Earnings and Prospects

Anyone familiar with Rockefeller methods will understand that there are no "official" figures on Colorado's present rate of earnings. In these days of the greatest boom in the history of the steel trade it goes without saying that the company is making handsome profits on the steel end of its operations. The coal business last Winter was not flourishing, owing in part to the opening of new, competitive mines, but its commercial steel plants have been operating at capacity for some time. Therefore it seems certain that earnings this year will show up very satisfactorily, especially in contrast with the two preceding bad years.

Position of Stock

The fact that the company has adjusted its labor troubles for probably some years to come, and that it is participating in the good times in the steel industry, warrants its stock selling higher than for several years past, but the question naturally arises as to whether, between 45 and 50, the market price has not fully discounted improved conditions.

It must be remembered that the last two years showed deficits totalling $1,240,000. Unless the Rockefeller methods have been changed, this deficit will have to be made up before dividends are considered. Furthermore, there is approximately 60 per cent. or $1,200,000, of accumulated unpaid preferred dividends. Therefore, earnings of something like $2,500,000 will have to be piled up before the common may hope for anything.

Colorado's reconstruction is again under full blast and is progressing most satisfactorily, but there is still a considerable bit of road to be traveled before the Rockefeller ambition of placing this concern in the ranks of prosperous corporations will be realized.

The Rock Island Problem

A Road of Big Potential Earning Power that Needs Management and Funds—Not Over Capitalized—Reorganization Prospects

By FRED L. KURR

ROCK ISLAND at the present time is one of the sick patients of the railroad world. The events which are responsible for the unfortunate position of this splendid system of railroad lines cover a rather long period of years and can be roughly separated into two groups, first financial jugglery, apparently undertaken for the purpose of presenting to insiders the opportunity to make exceedingly handsome profits at the expense of the public, and second, a management that paid more attention to the surplus earnings reported by the accountants each year than it paid to the condition of the road.

That Rock Island is well placed as regards railroad territory no well informed railroad man will question. All that is needed is a little financial assistance and an efficient management to see that the new money is expended in the way that will do the most good. The road has a big potential earning power, and with the proper forces at work to develop it a bright future for the property is assured.

A recent report made to the receiver by J. W. Kendrick estimates that in order to bring the road up to the highest point of efficiency an expenditure of $35,000,000 spread over a period of five years would be required. Allowing for a normal increase in gross business the report estimates that if these improvements are made the company should be able to show surplus earnings after all charges, of over $7,000,000 in the year ended June 30, 1921. Graphic 1 illustrates what earnings the road has shown in the past. For the year ended June 30, 1915, there was a deficit of $734,667; the current fiscal year, however, promises to show a substantial surplus.

Current Earnings

Judge Carpenter, in handing down his recent decision in which he ruled that the receiver was justified in paying the interest on the debentures and first and refunding bonds, stated that the estimated surplus earnings of Rock Island for the year ended June 30, 1916, are in the neighborhood of $175,000, "this notwithstanding a loss of approximately $1,000,000 during the summer of 1915 on account of flood, and the making up of a large amount of deferred maintenance. The latter item on the freight cars alone during the last six months amounted to $400,000. In addition there was deducted from the earnings of the first six months $326,000 for rail and tie arbitraries which should have been charged against the operations of the previous year." This makes a total of $1,726,000 unusual expenditures which may not be expected to occur again and without which the company's surplus earnings the current fiscal year might have totaled not far from $2,000,000.

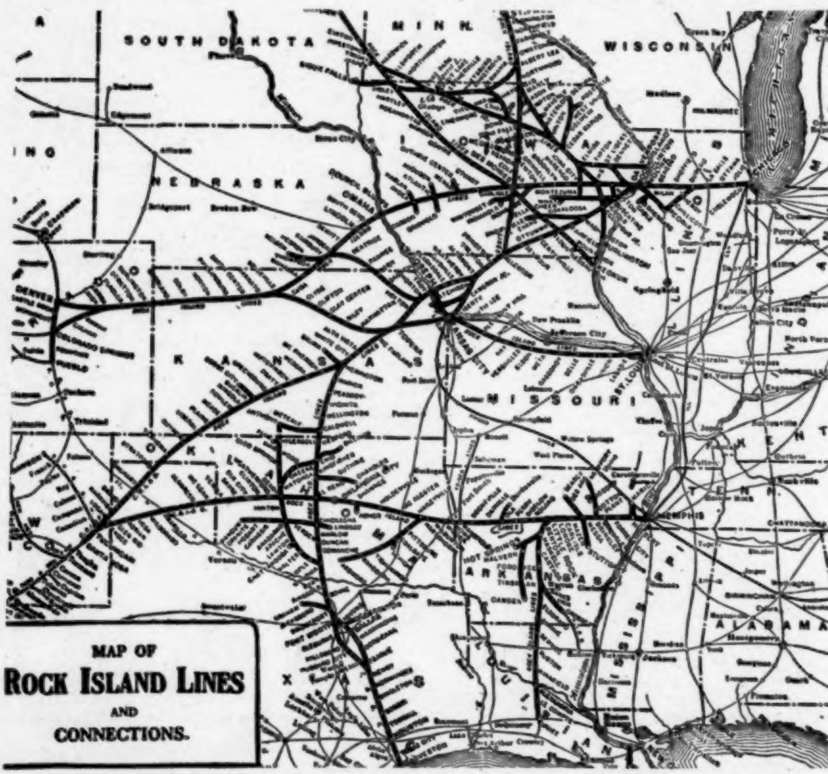
The big question facing Rock Island at the present time, of course, is how much money must be raised and how? When a road is in receiver's hands like the Chicago, Rock Island & Pacific, it is usual to find a topheavy capitalization that requires a drastic scaling down and the necessity of raising new money by the assessment process. The present status of Chicago, Rock Island & Pacific is entirely different. It is not overcapitalized. The overcapitalization in Rock Island was practically all confined to the holding companies, and these have already been cut away.—See Graphic 2. The $90,888,202 common and $49,947,450 preferred of the Rock Island Co. has been made practically valueless as

the collateral trust bondholders of the Chicago, Rock Island & Pacific Railroad were given actual possession of the collateral deposited under their bonds which was the stock of the Chicago, Rock Island & Pacific Railway. This left the Chicago, Rock Island & Pacific Railroad without any assets, and as Rock Island Company's only asset outside of a few thousand dollars cash was the stock of the former, it also is practically assetless.

cago, Rock Island & Pacific Railway's stock per mile is only $10,557.

Capitalization

There is no necessity, therefore, of cutting down the fixed charges of the road. All that is needed is money on favorable terms, about $25,000,000. This will be used to eliminate a floating debt of about $11,600,000, pay off receiver's certificates of $5,100,000, and leave $8,300,000 for working capital. This is



MAP OF
ROCK ISLAND LINES
AND
CONNECTIONS.

Rock Island's bonded debt is not large and compares favorably with other roads in similar territory. For example, Rock Island's bonded debt per mile is $34,735, whereas St. Paul's is $35,427, and Missouri Pacific's $41,824. Atchison's bonded debt per mile is somewhat lower, $27,978, but this company has a very much larger proportion of stock outstanding, $26,570 per mile, while Chi-

positively all that is needed at the moment, plus management, to put the company on the highroad to prosperity. The payment of the floating debt will release $21,195,000 first and refunding bonds now tied up and these can be sold to provide the funds for improvements. The stockholders' equity in the property is undoubtedly of great value, certainly far in excess of the $19 per share the

stock is at present selling for, but in order to save that equity and make it valuable to them in the future it very much looks as though they must undertake the task of financing the property. If left to the bondholders to do it can readily be seen that the stockholders will have their interest in the property cut to small proportions.

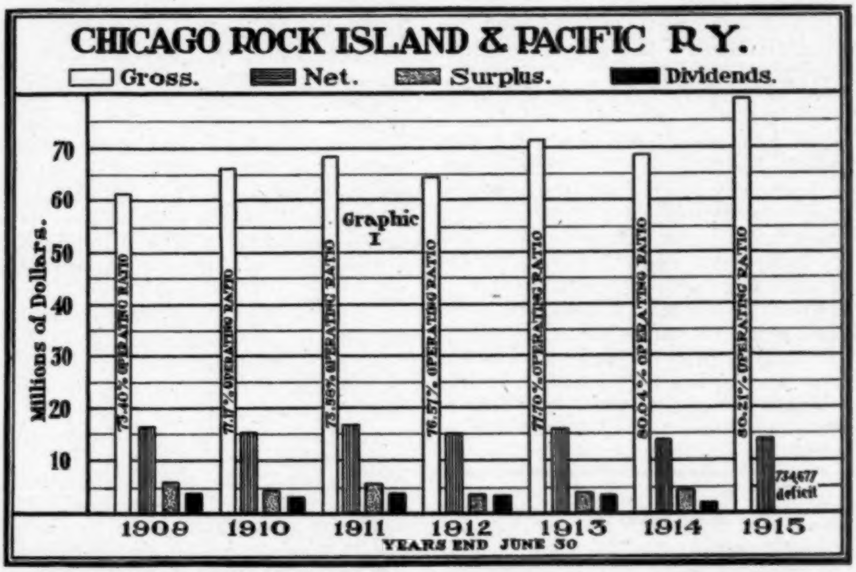
The present capitalization of the Chicago, Rock Island & Pacific Railway Co. is shown in the accompanying table.

Value of Property

This $350,700,000 of course represents the par value of the securities outstanding, the market value is an entirely different matter. At current quotations the market value of these securities is approximately $228,000,000, or $122,000,000 under par. That $228,000,000 is a ridiculous valuation for the Rock Island property any expert judge of railroad properties will at once agree. The company operates approximately 8,300 miles of track throughout the Middle West. The accompanying map shows how well its lines cover this territory and the important centers that are reached. It is generally believed that the lines that run north and south, as Rock Island's do to a large degree, will ultimately greatly benefit from the Panama Canal.

Gross earnings per mile of Rock Island are over $8,500; this would justify a capitalization of at least $30,000 per mile, or $249,000,000, which is already more than the market price of the company's securities. Besides this there is the company's valuable terminals in Chicago, as well as equipment, shops and other property. Valuing this conservatively, Rock Island can be said to be worth at least double the $228,000,000 it is now selling for.

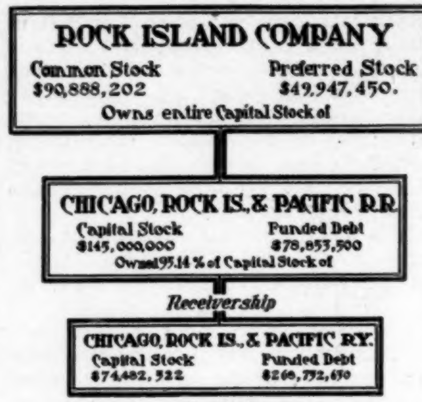
At the present time the Rock Island situation is surrounded with a mixture of petitions, injunctions, investigations, suits, protective committees and other legal paraphernalia. The writer has neither the space nor the inclination to enter into a discussion of the various controversies that the several interests are now engaged in. As some one remarked, "it is a sturdy patient that can survive so many doctors." Fortunately, Rock Island is a sturdy patient, and as current earnings are proving, it has sufficient vitality to overcome its present disease, if only given a fair chance.



Position of Securities

What about its securities for speculative or investment purposes at present levels? The first mortgage 6s, general mortgage 4s and most of the subsidiary issues are high grade investments, and will be probably undisturbed by any reorganization. The refunding 4s are also very likely to be left undisturbed, and at present price of about 68 can be regarded as an attractive business man's investment. The debenture 5s, selling at 46, are of course highly speculative, but as a speculation appear to have excellent possibilities of showing ultimately a substantial profit. Anyone purchasing these debentures should be prepared to put up additional money in case the reorganization of the property provides that the debenture holders subscribe to some new security.

N. L. Amster, Stockholders' Protective Committee, plan of reorganization recently announced, proposes a $25,000,000 issue of 8 per cent. preferred stock, or 8 per cent. 30-year debenture income bonds, cumulative after June 30, 1917, at the rate of 6 per cent. per annum, and convertible into stock at par up to December 31, 1927. Stockholders are to be given the "right" to subscribe to the new security at par to the extent of $33 for each share held. It is too early to form an opinion as to whether or not this plan will go through, 75 per cent. of the stock must be subscribed for by stockholders before the plan will become effective. If it does not turn out to be successful it is quite probable that the word "right" will change to assessment. In other words, the stockholders are offered the opportunity to voluntarily subscribe the necessary funds, but if they do not exercise this "right" a reorganization and assessment will probably follow. It would, therefore, seem to be to the best interests of stockholders to subscribe to the Amster plan.



Graphic II

In some way or another stockholders, in order to keep their equity and put the road on its feet, will have to put up cash to the extent of about $33 per share. For this reason the stock does not look particularly attractive at present prices as a purchase for a quick turn.

Regardless of value a stock which faces as heavy a payment as this is bound to be unpopular and subject to constant liquidation of holders who are unable or unwilling to supply the cash. The tendency of such a stock is to gradually decline until the date of payment is reached, touching the lowest levels at about that time. The stocks of the old holding company, the Rock Island Company of New Jersey, are to all appearances practically valueless, although they are still quoted at a fraction on the New York Stock Exchange.

CHICAGO, ROCK ISLAND & PACIFIC RY.
CAPITALIZATION

Capital stock	$75,000,000
Debenture 5s	20,000,000
Refunding 4s	95,000,000
General mortgage 4s	61,000,000
First mortgage 6s	12,500,000
Subsidiary issues	53,800,000
Car trusts	16,700,000
Floating debt	11,600,000
Receiver's certificates	5,100,000
Total	$350,700,000

General Chemical's Prosperity

How Flood of War Orders Swelled 1915 Earnings—Brilliant Prospects for Coming Year — Financial Strength—New Lines—Excellent Dividend Record—Position of Stocks

By A. NEWTON PLUMMER

TO those American corporations with years of proven earning ability behind them, the sudden influx of war orders in 1914 and 1915 meant considerably more than to those concerns which had been operating on a narrow margin of profit in recent years.

General Chemical Company takes a front position in the former class, for its record shows that it has made good profits every year since organization in 1899.

Of course, the wave of prosperity created by the enormous war business was a godsend to the latter class of corporation, for it saved not a few of them from toppling over the brink of bankruptcy. But being on a profitable running basis, General Chemical, and other companies like it, were naturally in a much better position to take full advantage of the opportunity made possible by the huge war business that came with the opening of hostilities in 1914 than the other type of company mentioned above.

General Chemical's earnings have mounted with each succeeding year, and the business which began fifteen years ago with the consolidation of twelve chemical manufacturing firms has expanded in a remarkable way. Since the formation of the company other chemical properties have been acquired, the most important being the Nichols Chemical Company, Ltd., Canada Chemical Mfg. Co., Ltd., and the Thompson Chemical Company. In addition, the General Chemical owns the Crescent & Sherbrooke Tank Lines, which operates a line of tank cars, and the General Lighterage Co., operating tank boats and steam lighters.

In 1913 three more companies, formerly controlled through stock ownership, were acquired, as follows: General Chemical Co. of Pennsylvania, Baker & Adamson Chemical Co., and the Pulaski Mining Co. of Virginia. During 1914 the General Chemical Co. of California was also acquired by exchange of stocks.

1915

The extraordinary prosperity that began in the latter part of 1914 was maintained throughout the entire year of 1915 and earnings last year were enormous. The unprecedented demand for heavy chemicals by the ammunition manufacturers in this country last year meant huge increases for the chemical industry generally and General Chemical was in a particularly favorable position to take full advantage of the unusual trade opportunity.

When the war broke out General Chemical's capacity for the manufacture of chemicals was at the highest point of efficiency since the company's formation and its strong financial condition made it practically independent as to what kind of business it contracted for, and, therefore, made it possible for General Chemical to make its own prices.

Though, as has been stated, the war brought chemical manufacturers a rush of business late in 1914, it was not until 1915 that the larger net profits were realized. This is seen by the comparison of the net profits of General Chemical for 1914 and 1915, which were $2,947,898 and $6,153,796, respectively. The enormous profits last year showed an increase of $3,205,898 over the preceding twelve months, or a gain of 108 per cent. The percentage earned on the preferred in 1915 was 39.18 per cent. against 19.05 per cent. the previous year, and on the common, 44.27 per cent. compared with 18.73 per cent. in 1914. Graphic one illustrates vividly the wonderful im-

provement of last year over preceding seasons.

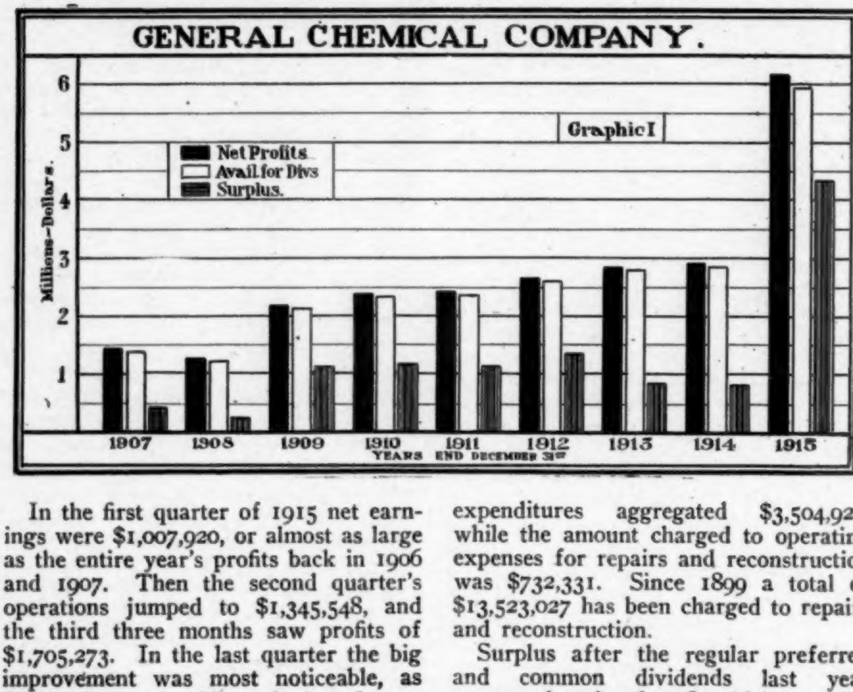
The 1915 year's operations present an interesting study, for though it was seen early in the year that the company would doubtless experience one of the best seasons in its history, realization exceeded even the warmest predictions. Net earnings rose month by month, and, as the war orders grew, the company's plants were taxed to capacity, while the high prices for chemical products appeared to have no limit.

In the first quarter of 1915 net earnings were $1,007,920, or almost as large as the entire year's profits back in 1906 and 1907. Then the second quarter's operations jumped to $1,345,548, and the third three months saw profits of $1,705,273. In the last quarter the big improvement was most noticeable, as October's and November's figures showed an average increase of $664,261, with a $766,532 gain in the December net. The full quarter's operations resulted in net earnings of $2,095,055.

Financial Strength

As a result of many years of conservative and careful management the financial status of the General Chemical Co. is in a particularly strong position. In the past seven years current assets have showed steady improvement, and, while current liabilities have grown larger each year, the net working capital has been kept on about an even keel. In 1915 current assets totaled $8,518,659, current liabilities $3,252,481, and working capital $5,266,178. In 1909 current assets were $5,868,151, current liabilities $548,114, and working capital for that year $5,320,037, at which figure it has been near in the intervening years.

But, it must be remembered that in 1915, when working capital was slightly under that of 1909, new construction expenditures aggregated $3,504,925, while the amount charged to operating expenses for repairs and reconstruction was $732,331. Since 1899 a total of $13,523,027 has been charged to repairs and reconstruction.



Surplus after the regular preferred and common dividends last year amounted to $4,362,218, which was distributed as follows: common stock dividends, $1,710,075; reduction of plants and investments less salvages, $405,197; reserved for plant depreciation, $750,000; profit sharing and bonus distribution, $724,276. Then $772,760 was added to profit and loss account, making the total profit and loss figure $6,024,956.

It is interesting to note that the swelling of current assets has been accomplished by a larger cash account, the increase over 1914 being about $700,000,

with inventories almost $430,000 more. Accounts and bills receivable were $2,354,144, compared with $1,556,489 in 1914.

General Chemical's equity in the Benzol Products Co., amounting to one-third, or $375,000 of the company's stock, makes General Chemical's total plant and investment account about $29,000,000, a growth of $7,500,000 in four years. Of this increase $4,500,000 has been capitalized.

New Lines

In June, 1915, a new department was organized by the General Chemical Co. for the distribution of food products which the company started manufacturing about that time. The various food products put out by the company were marketed on a nation wide scale all during 1915 and it is reported the sales so far have been far beyond what was originally planned. It is understood the introduction of these food specialties was the result of six years of experimentation.

Another new move made by General Chemical last year was the formation of a company, known as the Mineral Products Co., which was organized for the purpose of undertaking the marketing of potash. Associated with the General Chemical Co., it was reported, were interests close to Armour & Co., of Chicago.

A large tract of land was acquired in Utah and it was stated that the largest known deposits of alunite were located on this property. It was planned to erect a large plant on the ground and the potash secured from the alunite was to be marketed on a commercial scale at a reasonable profit.

General Chemical Co. is also working on the development of the aniline dye industry in connection with the American Coal Products Co. and the Semet-Solvay Co., and it is expected this will prove a profitable source of revenue. With these two concerns General Chemical owns the Benzol Products Co., whose plant at Marcus Hook, Pa., is manufacturing aniline oil, which is the basis of colors.

Dividend Record

General Chemical's dividend disbursements in recent years have been on a lavish scale and its record of dividend payments since organization in 1899 have been all stockholders could desire. Six per cent. has been paid every year since the formation of the company on the preferred. In the last seven years the per cent. earned has been three times the amount paid, while in 1915 it was over six times. Previous to 1909 the per cent earned was twice the six per cent. paid. Preferred dividend payments in the last decade amount to $7,482,498.

In the matter of common payments the policy of General Chemical has been most liberal, for in late years the extra disbursements, both in cash and stock, have netted the common stockholders a considerable sum. The regular common dividends for the past ten years total $5,589,659, while the extra payments aggregate $3,286,605. In 1900 4 per cent. was paid, 5 per cent. the following year, none in 1904 and 1905, and 2 per cent. in 1906. From that time common dividends have mounted with each year, 4 per cent. having been paid from 1907 to 1910, when it was raised to 5 per cent., and every season since 6 per cent. has been declared.

Extra payments on the common began in 1910, when a stock dividend of 10 per cent. was declared, with 5 per cent. in stock in 1911 and 1912. In the year following, 1913, 5 per cent. extra in cash was distributed, which occured again in 1914.

The largest extra paid on the common came last year, when 15 per cent. was declared, which was payable in stock February 1, 1916. This extraordinary payment was the direct result of the huge profits of 1915, due mainly to the increased earnings in connection with the war business.

General Chemical's practise of giving common stockholders extra dividends is the result of a definite policy, which is based on profits actually invested in plant, rather than on earning capacity. The stock dividend of 15 per cent. declared in 1915 amounted to $1,710,075, or less than 50 per cent. of the new con-

struction expenditures of $3,504,925 in that year.

Outlook for 1916

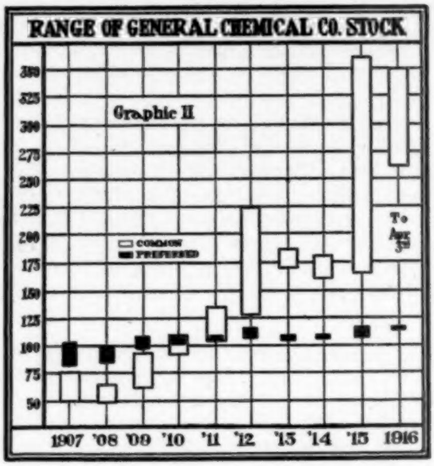
Despite the persistent rumors of an early termination of the European war the foreign demand for American ammunition gives no sign of slackening. In fact, the enormous orders for additional shells and other war material, recently reported as having been placed with American manufacturers, indicates that even if peace is nearer than is generally believed the belligerents are playing the game safe and will continue to contract for war munitions until some definite step is taken toward peace negotiations. Therefore, the requirements of the munition makers for heavy chemicals is likely to continue for some months to come.

This being the situation, General Chemical's prospects for 1916 are exceedingly bright. Should earnings for the current year equal the satisfactory profits made in 1915 earnings would amount to approximately 38½ per cent. on the $13,110,900. Last year the profits of $6,153,796 were equivalent to 44.27 per cent. on the $11,400,500 common outstanding. The additional common was issued in the form of a 15 per cent. stock dividend, as mentioned elsewhere in this article.

But even larger earnings are expected this year than in 1915 owing to the increased capacity of the company's plants. And, it is believed, the several new departments established in 1915 will begin to show substantial gains this year, which, in addition to the large war order revenues, should swell total profits considerably over last year's figures.

Position of Stocks

Considering the good earning ability of General Chemical in the past, and the fact that it still has a large volume of war business on its books, indicating

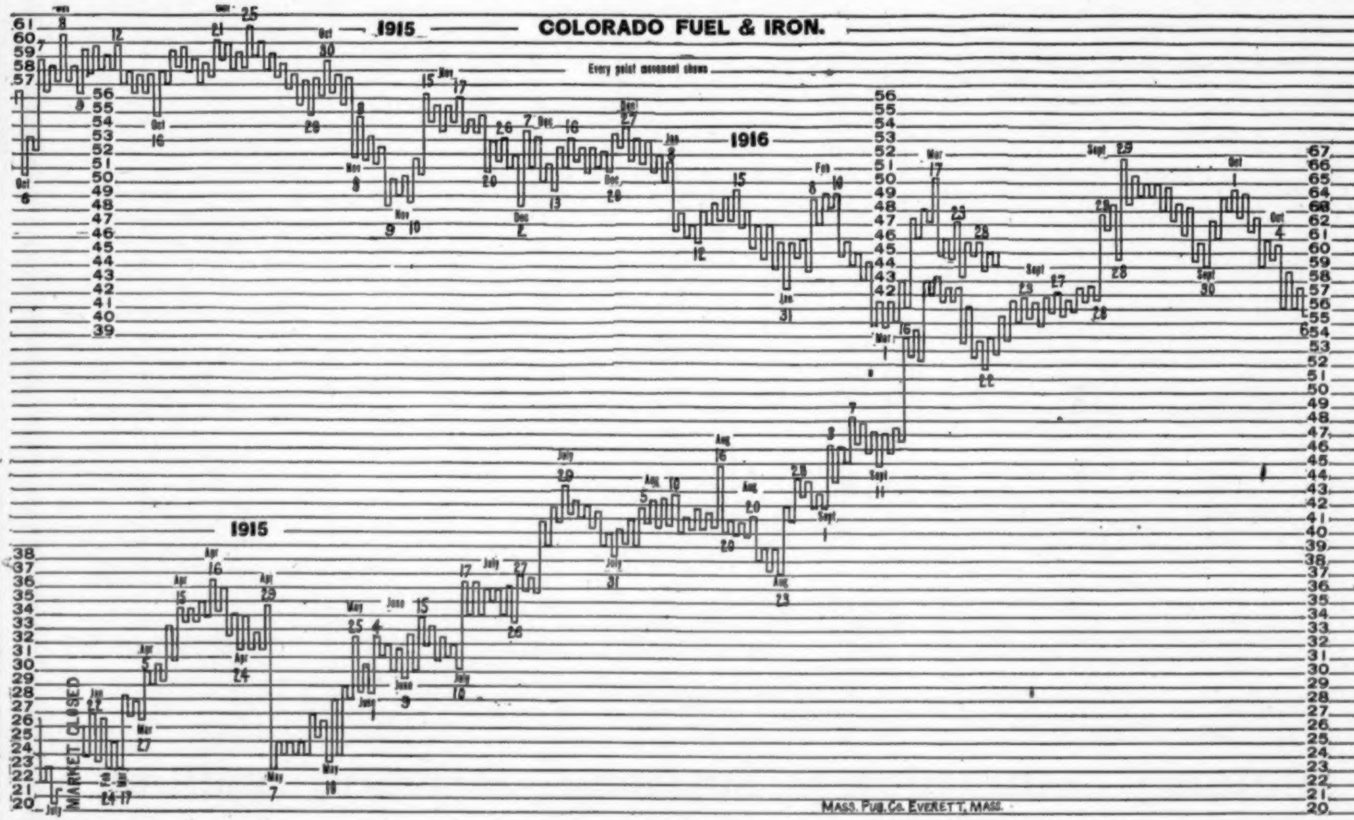


profits for the current year at least equally as large as in 1915, it would seem that the company's securities should sell at higher prices than their present level. The preferred stock is now selling around its high of 1915, but the common at its recent quotations is some 40 points under the top price of last year. An interesting study of the range of General Chemical issues for the last decade is shown in Graphic two.

The common stock received a 15 per cent. stock dividend out of the enormous net profits of 1915, and, if the management continues the practise, begun in 1910, of declaring extra dividends this year, either in cash or stock, the common appears to be worth more than its present price.

However, General Chemical is not a stock that moves violently and there is little profit in attempting to catch short swings in it. But the common is entitled to serious consideration from the long pull investor who desires a safe security with good possibilities of future enhancement.

Easy profits and a rising market kill caution—don't forget the stop loss order. Your pet stock *may* not react, but it *might*.



In previous issues the following charts have been published: Bethlehem Steel, U. S. Steel, common, Reading, Republic Steel, Colorado Fuel & Iron, Chicago, Milwaukee & St. Paul, Copper Prices for thirty years, American Sugar, common, American Car & F'dy, Baldwin Locomotive, Utah Copper, Consolidated Gas, Erie, common, Beet Sugar, common, Crucible Steel, panoramas of railroad and industrial stocks.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table because its price is low compared with latest available earnings.

Industrials

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.

Industrials	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
Butte & Superior (par $10).	$3	4.0	....	....	....	....	$3.5	$5.2	$33.48	$94	35.6	
American Coal Prod. com....	7	4.4	....	....	....	10.5	10.8	10.3	49.0	160	30.0	May cut melon shortly.
Int'na'l Nickel com. (par $25)	20	10.9	....	....	27.9	26.3	11.8	11.2	13.3	49	29.0	Earning at rate of 32% per annum.
B. F. Goodrich com........	4	5.2	....	....	....	2.4	0.8	4.7	17.17	77	22.3	Record business.
California Petroleum pfd....	4	7.7	....	....	....	....	11.4	11.6	....	52	22.3	
U. S. Ind. Alcohol com......	0	0	....	2.0	4.0	5.0	1.9	1.9	33.22	163	20.0	
Central Leather com........	4	7.4	6.3	—2.1	—5.1	8.6	5.2	6.4	10.8	54	20.0	War orders big.
Willys-Overland com........	6	3.4	....	....	....	....	26.5	25.9	45.0	230	19.5	Outlook for 1916 bright.
Studebaker com............	6	4.3	....	....	....	4.9	3.1	12.7	27.45	142	19.3	Expect record business in 1916.
U. S. Rubber com..........	0	0	4.0	7.8	2.2	6.3	9.8	8.0	10.0	52	18.8	Business continues satisfactory.
General Motors com........	20	4.5	....	....	15.7	17.3	38.8	37.5	81.2	460	17.6	Com. put on $20 per annum basis.
Va.-Carolina Chemical com..	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	44	16.9	Prospects for good fertiliser business in 1916.
Amer.-Agricul. Chem. com...	4	6.0	7.5	10.4	9.1	7.3	5.2	7.7	11.0	67	16.2	
Int. Mercantile Marine pfd..	0	0	....	9.4	8.7	7.3	11.1	....	....	73	15.2	Reorganization plan soon. 78% back dividends.
Continental Can com.......	5	6.0	....	....	....	....	12.1	4.7	12.05	84	14.6	
Amer. Hide & Leather pfd....	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	51	14.5	War orders big item. Earnings best in history.
American Linseed pfd.......	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	6.02	46	13.0	Earnings reported very satisfactory.
General Chemical com......	6	1.8	14.4	15.6	15.5	14.4	13.4	13.3	44.26	330	13.0	Earnings big. War helped business.
American Cotton Oil com...	4	7.6	10.4	6.8	—1.2	6.5	3.4	2.0	7.05	53	13.0	Controls 17 sub. companies.
Inter. Harvester of N. J. com.	5	4.5	17.8	14.8	14.2	15.2	14.5	13.4	....	111	12.1	Business increasing.
Republic Iron & Steel pfd....	7	6.4	8.1	11.7	7.8	8.9	12.4	4.1	14.06	109	12.0	Earnings now best in history. 11% back dividends.
Amer. Beet Sugar com......	0	0	7.0	7.3	10.9	13.5	3.9	2.3	8.7	72	12.0	Expects larger earnings.
U. S. Steel com............	5	6.0	10.5	12.3	5.9	5.7	11.1	—0.3	9.94	84	11.8	Steel business booming.
U. S. Realty & Improvement	0	0	9.2	9.7	9.4	8.3	9.2	8.2	5.0	44	11.4	Paid 1% Feb. 1.
Union Bag & Paper pfd....	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	29	11.4	Canadian properties sold.
Corn Products pfd..........	5	5.4	8.2	6.9	7.0	6.8	7.6	7.7	10.62	93	11.4	Divs. in arrears 17½%. Business good. Gov't suit.
Western Union.............	5	5.6	5.8	5.7	5.4	4.0	3.2	5.4	10.24	90	11.3	Business picking up.
Inter-Paper pfd............	2	4.3	2.7	4.5	5.3	5.4	4.4	5.1	5.44	47	10.9	30% cum. divs. in arrears. Earnings only fair.

American Can pfd..........	7	6.3	6.7	6.8	7.1	14.2	9.7	10.7	12.2	111	10.8	Arrears 8¾%. Gov't suit pending. Big war orders.
N. Y. Air Brake............	6	4.1	....	4.5	0.5	5.7	6.5	6.4	15.43	144	10.6	Some war contracts.

American Can pfd...........	7	6.3	6.7	6.8	7.1	14.2	9.7	10.7	12.2	111	10.8	Arrears 8¾%. Gov't suit pending. Big war orders.
N. Y. Air Brake...........	6	4.1	....	4.5	0.5	5.7	6.5	6.4	15.43	144	10.6	Some war contracts.
Crucible Steel pfd..........	7	6.0	8.2	14.5	10.2	13.7	19.6	4.1	12.3	116	10.6	Earnings large. Back dividends 24¾%.
American Tobacco..........	20	10.6	....	....	....	30.4	28.1	21.0	21.0	198	10.5	Earnings continue good.
Distillers Securities.........	0	0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	48	9.8	Large contract for alcohol taken.
Maxwell Motors com........	0	0	....	....	....	....	....	0.3	6.5	72	9.2	Record earnings.
Diamond Match com........	6	5.7	11.0	11.6	12.6	13.2	11.0	9.6	....	106	9.2	Scarcity of potash embarrassing.
Pacific Mail	0	0	—1.7	—1.1	—1.0	—0.1	0.1	1.5	2.4	25	9.0	
North American............	5	7.4	6.0	6.2	6.2	7.2	6.7	6.4	....	68	9.0	Controls St. Ry. & Elect. Light cos. in Northwest.
Woolworth, F. W., com......	7	5.8	....	....	....	8.9	11.0	10.7	13.0	123	8.7	Expects to show record year.
Allis-Chalmers pfd..........	6	7.8	....	....	....	....	4.6	—0.2	6.8	77	8.6	13% back dividends due.
Sears, Roebuck com.........	7	3.9	18.4	20.5	17.0	19.3	21.2	14.5	....	177	8.2	Stock div. 50% com. March, '15.
People's Gas Light & Coke...	8	7.7	8.9	9.0	8.9	7.5	8.2	8.6	8.38	104	8.0	Earnings not very heavy.
National Biscuit com........	7	5.6	7.4	7.7	9.8	10.0	9.6	11.7	9.5	123	7.8	Business only fair.
Railway Steel Spring com...	0	0	5.3	6.0	0.3	5.8	1.3	—4.2	3.09	39	7.7	War order stock.
American Tel. & Tel.......	8	6.4	9.0	10.4	10.0	9.3	9.6	9.4	....	128	7.3	Large equities in sub. co. earns. Will cut construction program.
National Lead com.........	4	4.4	6.2	4.3	3.6	3.8	3.6	3.7	5.0	67	7.3	
Pressed Steel Car com......	0	0	7.7	5.5	0.1	0.8	10.5	0.1	3.59	51	7.0	War orders.
Ray Cons. Copper (par $10).	20	8.0	....	....	2.1	13.3	18.5	16.5	....	24	6.9	Record earnings.
Baldwin Locomotive com...	0	0	....	....	1.4	11.5	13.1	....	7.14	105	6.7	Large war orders.
General Electric...........	8	4.7	7.4	16.7	14.5	16.2	12.9	11.1	....	168	6.7	Working at capacity. War orders farmed out.
Chino Copper (par $5)......	80	6.9	....	....	....	50.6	70.3	68.8	....	54	6.4	Record earnings.
Utah Copper (par $10)......	60	7.4	29.5	34.6	39.7	53.5	50.7	53.8	....	82	6.3	Big Production.
Bethlehem Steel com.......	30	6.2	—1.6	6.5	6.7	6.9	27.4	30.6	....	479	6.0	Turning out shells rapidly and economically.
Tennessee Copper (par $25).	12	5.9	6.8	8.9	8.1	21.9	19.3	13.0	....	52	6.0	Acid plant operating again.
Am. Smelt. & Refining com..	4	3.9	7.7	7.1	9.1	10.1	7.5	6.0	....	103	5.8	Doing a big business. Mexican plants resumed.
Consolidated Gas (N. Y.)....	7	5.2	6.7	7.4	7.6	7.5	7.2	7.1	....	134	5.4	Sub. cos. have large undistributed surpluses.
Pullman....................	8	5.0	10.9	11.6	9.3	8.7	9.3	9.0	8.8	162	5.0	Getting war business.
Pittsburgh Coal pfd.........	5	4.9	3.0	7.2	5.1	7.5	10.1	5.1	....	102	5.0	Expects to pay off part of back dividends.
Anaconda (par $50).........	12	6	7.1	7.0	7.5	14.3	10.3	7.8	....	86	4.5	Put on $6 per annum basis, par $50.
Mexican Petroleum com....	0	0	....	....	4.6	5.9	11.2	4.7	....	109	4.3	Resumed Preferred dividend payments.
Miami Copper..............	$5	13.5	....	....	$0.7	$2.8	$1.7	$1.6	....	38	4.0	Earning at rate of $8 per share on 21c. copper.
American Sugar Refining com	7	6.4	3.9	3.8	9.6	8.7	1.9	4.3	....	109	3.9	Helped by war.
International Agr. pfd......	0	0	....	....	....	....	....	2.3	....	59	3.8	Profits from sulphuric acid sales.
Greene-Cananea............	1	2.1	....	....	....	$4.3	$2.3	$1.9	....	49	3.8	Operations resumed.
Westinghouse El. com (par $50)	6	4.6	....	7.6	12.3	6.2	8.2	10.8	4.7	65	3.5	Large profits from war orders.
U. S. Cast Iron Pipe pfd....	0	0	1.2	4.4	3.9	4.2	4.7	—0.5	0.6	51	1.2	Business picking up.
Nat. Enameling & Stamp. com	0	0	1.1	1.0	1.1	—1.6	1.9	—0.3	3.01	25	1.1	War order stock.
Sloss-Sheffield com..........	0	0	6.6	2.0	—0.6	0.8	2.1	0.2	....	56	0.3	Big earnings. Prospect for dividends good.
Amer. Malt Corp. pfd......	2	5.9	6.2	3.0	8.8	9.3	4.6	3.7	0.1	35	0.3	Divs. in arrears 26%. Business increasing.
Amer. Car & Foundry com.	2	2.7	2.6	6.6	7.1	2.5	4.1	5.5	0.1	69	0.1	War orders.
American Locomotive com..	0	0	—3.1	1.3	7.3	0.5	17.7	1.3	—13.0	77	0	Plants at capacity.
American Steel Foundries...	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	....	51	0	Earnings picking up.
Colo. Fuel & Iron com.....	0	0	....	2.1	4.0	3.2	4.8	—3.1	—1.4	44	0	Improved steel condition. Pref. 52% in arrears.
American Woolen com......	0	0	5.2	2.2	2.1	2.1	19.9	0	11.8	50	0	Big war orders.

In the next issue the Bargain Indicator showing the comparative earnings of the important railroads will be published.

Investment Digest

Note—The Investment Digest, Notes on Public Utilities, Oil Notes and Mining Digest contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy.—*Editor.*

RAILROADS

Atchison.—February GAIN in gross was $1,688,140, bringing average monthly increase for eight months to slightly over $1,000,000.

Bangor & Aroostook.—Sold $2,000,000 2 year 5% coupon notes dated April 1st. For seven months to Jan. 31st, road showed $809,439 net revenue, INCREASE of $37,963, or about 5%, above same period in 1915.

Boston & Maine.—Gross earnings reported still below NORMAL.

Canadian Pacific.—February gross GAINED $2,060,152 and eight months' was $15,071,989 better than the same eight months of 1915.

Chesapeake & Ohio.—February gross of $3,848,577 was an INCREASE of $981,304 and eight months shows gain of $6,039,321. New York Stock Exchange has received notice C. & O. proposes to increase capital stock by $55,000,000.

Chicago, Milwaukee & St. Paul.—Gross in February of $7,899,230 compares with $6,672,696 for same month in 1915. Eight months gross of $69,747,012 compared with $61,958,881 for corresponding period previous year. C. A. Goodnow, assistant to president of road stated ELECTRIFICATION of St. Paul has in every way exceeded expectations.

Chicago, Indianapolis & Louisville.—Directors to arrange details of proposed $40,000,000 first and refunding mortgage in New York on April 14th. Stockholders will attend special meeting April 24th to ratify action of directors.

Cincinnati, New Orleans & Texas Pacific.—February gross of $943,900 INCREASED $218,982 over February, 1915, and eight months' gross was $803,761 better than in same period last year.

Central of Georgia.—INCREASE of $42,736 was shown in February gross earnings. For eight months gain was $209,822.

Chicago & Alton.—Gross earnings in February were $1,344,563 against $1,015,923 in same month of 1915. Eight months gross of $10,762,624 compares with $9,671,582 for corresponding months of last year.

Chicago Great Western.—Director quoted in Chicago dispatch that a more substantial surplus and greater earnings are wanted before the preferred is placed on a REGULAR quarterly dividend basis. Dividend of 1% on preferred recently declared places stock on 2% annual basis, initial divident of 1% having been declared Nov. 2d, 1915.

Detroit, Toledo & Ironton.—January net INCREASED $59,601, according to road's report to Interstate Commerce Commission.

Delaware & Hudson.—Surplus of $6,061,441 for 1915 year was equal to 14.280 on the stock compared with 10.84% in preceding year. Net income from all sources for 1915 was $10,837,638 against $9,339,236 in 1914.

Erie.—Earned 4% on the first and second preferred issues and 4.31% on common in 1915. Erie handled LARGEST business in its history in 1915 and while gross showed large gains operating expenses were lower than during preceding year.

Great Northern.—Declared regular quarterly dividend of 1¾%.

Illinois Central.—February gross of $5,871,545 showed GAIN of $1,142,340 and eight months gross of $45,848,565 an increase of $3,216,212.

Kansas City, Mexico & Orient.—If either of two reorganization plans now under consideration fail to materialize it is announced newly formed committee in interest of noteholders will formulate a plan of readjustment of their own.

Lehigh Valley.—Gross in February was $3,479,848 and in same month last year was $2,910,303. Gross for eight months was $31,254,043 against $28,031,044, in same period last year.

Long Island.—Report for 1915 showed gross of $13,553,780 against $13,282,930 in 1914 and net was $3,486,602 against $3,335,879 previous year. Total net for 1915 of $4,220,227 compared with $3,982,869 for preceding twelve months.

Louisville & Nashville.—Operating revenue in February was $4,997,714, an INCREASE of $1,157,767 and operating income gained $924,073 for same month.

Minneapolis, St. Paul & Sault Ste. Marie.—A GAIN of $169,405 was shown in February operating revenue.

Minneapolis & St. Louis.—February gross of $878,096 was $105,798 AHEAD of same month in 1915.

Missouri Pacific.—Floods in Mississippi Valley during last three months have interfered with EARNINGS during that period.

New York, New Haven & Hartford.—Expected New Haven will report earnings, after charges, for fiscal year ended June 30th next well under 5% on its $157,000,000 stock. February's DEFICIT of $557,000 compares with a $58,000 deficit in February, 1915.

New York Central.—Total February operating revenues of all lines of $27,945,523 contrasts with $19,740,545 for same month in 1915.

New York, Ontario & Western.—February gross GAINED $132,289 and net improved $89,089.

New Jersey Central.—February gross of $2,950,026 and net of $1,142,798 compares with $2,048,224 and $621,229, respectively for same month in 1915.

New York, Susquehanna & Western.—Reports for 1915 year gross of $4,107,036, total income of $1,514,388 and surplus of $324,214.

Norfolk & Western.—For first eight months of current fiscal year road EARNED $37,289,300 gross and $16,158,145 net compared with $27,457,692 gross and $9,250,854 net in first eight months of 1915. February gross was $1,649,294 better than February, 1915.

Northern Pacific.—Estimated gross earnings for 1915 fiscal year show an INCREASE of $721,000.

Pennsylvania.—Report for February of Pennsylvania Railroad and other lines shows INCREASE in gross of $8,180,562 and net increase of $3,996,087. Road is in market for 18,000 to 20,000 cars.

Reading.—February gross of $4,804,678 compares with $3,263,741 for February, 1915. Net was $1,618,528 against $862,995 last year.

Rutland.—An INCREASE of $52,837 was shown in February gross earnings and a gain of $21,836 in net after taxes.

St. Louis & San Francisco.—Minimum price at which 'Frisco road is to be sold under foreclosure proceedings has been fixed at $45,700,000, plus a pledge of $600,000 which must be assured the purchaser. Pledge of $600,000 which must be guaranteed is to South American Co., whose claim threw the road into receivership.

Southern Railway.—February gross of $5,627,162 was $1,009,755 BETTER and eight months gross gained $3,555,991.

Southern Pacific.—INCREASE of $1,709,076 was shown in February gross while net was $229,826 ahead of February of last year. Julius Kruttschmitt, chairman of Southern Pacific executive committee, after month's trip over the line, said road is in excellent shape and business still exceptionally heavy.

Union Pacific.—Gain of $2,440,986 gross in February was a 43.8% ADVANCE over February of last year. Freight traffic continues enormously large.

Vandalia.—Net income of $772,761 for 1915 was equal to 4.1% compared with 0.76% in 1914.

Virginia Railway.—Gross for February was $747,035 against $439,624 same month in 1914.

Wabash.—INCREASE of $647,661 was shown in February operating revenue.

Western Maryland.—A GAIN of $206,061 was made in February's gross earnings, while net, after taxes, was $131,228 better.

INDUSTRIALS

American Agricultural Chemical.—Predicted net earnings this current fiscal year will be largest in company's history. Believed balance of profits for common will exceed 15% against 10.98% in 1915 period.

American Beet Sugar.—Estimated to have EARNED 18% on $15,000,000 common in 1915.

American Coal Products.—Earnings for January and February of this year were equal full year's 7% dividend on preferred stock and 5% on the common.

American Shipbuilding.—Chicago dispatch says certain stockholders plan legal action against directors to secure RESTITUTION to company of $1,500,000 paid in dividends when it is alleged earnings did not warrant their payment.

American Writing Paper.—Gross sales for March will establish new high record for company, according to report.

Atlas Powder.—Special stockholders meeting set for April 18 at Wilmington, Del., to authorize INCREASE of 6% cumulative preferred stock from $5,500,000 to $10,000,000 and common stock from $5,000,000 to $10,000,000.

Aetna Explosives.—Received NEW ORDER for 1,000,000 pounds of smokeless powder every month while war lasts. March will show best earnings of any single month.

Atlantic, Gulf & West Indies.—Estimated company will earn within $25,000 of collateral trust bond interest in first two months of 1916. Expected balance for $15,000,000 common will be around $18 per

share for full 1916 fiscal year, after taking out full 5% dividend in cash for $14,996,-000 preferred.

American Locomotive.—Understood net profits for March quarter will run between $17 and $18 per share on the $25,000,000 common after interest and preferred dividend charges.

American Ice Securities.—Report for year ended December 31, 1915 shows profits of $31,559 and surplus of $1,142,855.

American Sugar Refining.—Earnings for March quarter reported enormously high. Continued high prices for sugar are swelling profits.

American Can.—Estimates place current year's PROFITS, including war business, at close to $20,000,000. Predicted can business alone will net 15% on common stock.

American Hide & Leather.—Sold its three sole leather tanneries, which did about 10% of company's gross business. American Hide & Leather is now exclusively an upper leather producer.

Bethlehem Steel.—Directors of Pennsylvania Steel Co. sent letter to stockholders advising ACCEPTANCE of offer of Bethlehem Steel to purchase all assets of former concern.

Booth Fisheries.—Earned $1,042,770 in 1915 as compared with $921,487 in 1914. Balance for common was equal to 3⅜%.

Canadian Car & Foundry.—French government has given company order for several millions of dollars of railroad equipment.

Central Leather.—Now earning about four times 4% yearly dividend rate on the common.

Chandler Motor.—Expected dividend rate will be INCREASED this summer. Stock is now receiving 6% annually.

Chevrolet.—In four and a half months ended December last, company earned over $8 per share on its stock.

Colt's Arms.—Unfilled orders totaled $22,554,245 at beginning of current year. It is expected $20,000,000 of this will have been shipped at end of 1916.

Corn Products.—Pres. Bedford stated plants are running at capacity and that outlook is encouraging.

Crucible Steel.—In Pittsburg banking circles it is stated that net earnings for March are in excess of $2,000,000, a new high record.

Draper Co.—Sold five months ahead. Common placed on 20% annual basis.

Dominion Steel.—Pres. Workman officially stated a contract has been closed for the entire sheet steel output from present time to end of the year.

Diamond Match.—Company has started construction of a ten mile 18-inch pipe line from shores of Great Salt Lake to Grants, where potash plant is situated.

Distillers Securities.—NOT EXPECTED dividends will be declared until the close of the fiscal period, though it had been rumored such action would be taken in the near future.

Eastern Steel.—Declared a dividend of 5¼% on first preferred to apply on back dividends, leaving a total of 9¾% on the first preferred.

The Emerson Phonograph Co. has so protected its 10 and 25 cent disk records that the DEMAND during the past few weeks has increased enormously. One chain of stores has been ordering an average of 25,000 of the 10 cent records per day. The Emerson Company has closed arrangements by which its output of 10 cent records will shortly be increased to 45,000 per day, and in addition has just contracted for one lot of 5,000,000 more of the 25 cent records with music on both sides. These records are to be delivered at the rate of 100,000 per week for a period of one year. This is said to be the largest order for phonograph records ever placed.

Franklin Motor.—When new factories are opened in near future, production capacity will be DOUBLED.

General Electric.—Weekly bookings continue to average $3,000,000, or at the rate of $150,000,000 annually. Thought likely 17% will be earned this year on $101,000,000 stock.

Gray & Davis.—Understood underwriting syndicate formed to sell $250,000 of common stock has been over-subscribed.

General Motors.—Gross receipts to March 15 were $87,800,000, a GAIN of 88.8% over the same period in 1915 year. Increase to date is larger by $10,000,000 than increase of three previous years.

Gaston, Williams & Wigmore.—January earnings were over $345,000 according to George A. Gaston, president of the company.

Grant Motor Truck.—Gross sales in 1915 were in EXCESS of $4,000,000 and net profits more than $500,000.

Great Western Sugar.—Interests close to management quoted as saying company is in a position to pay handsome EXTRA dividend in cash, and that such action is probable in near future.

Goodrich Co., B. F.—Expected to earn 25% on its $60,000,000 common this year. Understood that February net of Goodrich was 85% AHEAD of same month last year.

Hupp Motor Car.—February net profits

were $55,096, an increase of $44,418 over a year ago.

International Agricultural Corp.—Expected deliveries of sulphuric acid by Tennessee Copper Co. to Internatianal Agricultural will begin soon.

International Steam Pump.—Delivery on first lot of 250,000 shell for Allies will begin within a few weeks. Contract calls for 750,000 shells, and value of order is $4,500,000

International Harvester.—Official of company stated after the war foreign trade will offer wonderful opportunities to American firms.

International Mercantile Marine.—A member of preferred stockholders' committee quoted as saying that total amount of cash and marketable securities, on Jan. 31, 1916, was in excess of $41,000,000. Reorganization plans still undecided.

Jewel Tea.—Director stated NET PROFITS this year may run as high as $2,000,000. In 1915 slightly under $1,500,000 was earned.

Kellogg Switchboard.—Declared stock of 50% and a quarterly cash dividend of 2%.

Kelly-Springfield Tire.—Increased dividend by declaring a quarterly disbursement of 4%.

Lima Locomotive.—Readjustment plans calls for formation of new company with authorized capital of $3,200,000 7% preferred stock, cumulative after April 1, 1917 and $7,550,000 common stock, of which $2,200,000 preferred and $4,350,000 common are to be issued shortly.

Lackawanna Steel.—March earnings will be LARGEST in company's history, net profits for the stock that month being estimated at well over $1,000,000.

Lee Rubber & Tire.—January net earnings were three times as large as January, 1915, and expected February and March earnings will show as large increases.

Maxwell Motors.—Predicted earnings this year will EXCEED the 7% dividend for the first preferred five or six times over.

Manufacturers Light & Heat.—Gross for 1915 showed DECREASE of $8,562 from 1914 figures.

May Dept. Stores.—Net profits in 1915 were $1,730,542.

Marlin Arms Corp.—Will soon begin to make shipments on its foreign order for machine guns.

McCrory Stores Corp.—February sales totaled $397,037, an INCREASE of $58,132.

Nipe Bay.—Estimated net earnings for fiscal period to end June 30 will approximate $70 a share. The $3,000,000 bonds maturing in 1917 may be redeemed by new issue of stock.

N. Y. Air Brake.—Turning out 150,000 high explosive shells and 200,000 extra cartridge cases for shells monthly.

National Biscuit.—Current earnings are now making new HIGH RECORDS.

Poole Engineering & Machine.—Uncompleted orders total $18,000,000. Now turning out at rate of 1,500 shells daily on the 5,000,000 shell order.

Pullman Co.—Received order for 22 passenger cars from Atlantic Coast Line.

Peerless Truck & Motor.—Closed contract with Allies for trucks and business continues to show large gains.

Pressed Steer Car.—Order for 7,000 cars for Russian Government is being gradually worked off and work on $5,000,000 shell order is PROGRESSING rapidly.

Remington Typewriter.—Net earnings in 1915 were $1,127,667, against $576,416 for preceding twelve months.

Railway Steel Springs.—Earnings for first quarter will show BIG GAINS over same period of previous year though company has no war orders.

Studebaker Corp.—Reported to be earning at rate of $12,000,000 net or 36% on the stock, against 27.4% last year.

Sears-Roebuck.—March sales were $12,022,748, an INCREASE of $1,824,007.

Standard Motor Construction.—Reports for year ended Dec 31, 1915, profits of $277,959 an INCREASE of $256,629 over previous year.

Submarine Boat Corp.—Earnings continue at exceptionally high rate.

Sloss Sheffield Steel & Iron.—During first quarter of current fiscal year company earned full preferred dividend requirement for the entire year. In 1915 0.53% was earned on the common, after 7.80% on the preferred.

Steel Co. of Canada, Ltd.—PROFITS for year ended Dec 31, 1915, after charges, totaled $3,230,452, compared with $539,811 in previous year.

Union Bag & Paper.—Deficit of $84,480 was shown in 1915 year, against a surplus of $365.912 in 1914.

U. S. Cartridge.—Understood company has received new order for 400,000,000 cartridges from Russia.

U. S. Light & Heat.—All pending litigation relative to control of company is being withdrawn.

U. S. Steel.—Unfilled tonnage on March 31, was 9,331,001 tons, an INCREASE of 762,035 tons over the previous month.

United Drug.—March gross GAINED 50%, it is reported. Company has taken out a Massachusetts charter with $52,500,000 capital.

Investment Inquiries

TELEGRAPHIC SERVICE TO YEARLY SUBSCRIBERS

The Magazine of Wall Street has made arrangements by which yearly subscribers who desire prompt replies to their inquiries may receive them by telegraph—the only expense incurred being the cost of the telegram, which will be sent collect. We urge subscribers to use this method when they expect to take quick action in the stock market, as one or two days' delay might result in a loss that a telegram would have saved.

Virginian Railway

C. P., South Dayton, N. Y.—The stock of the Virginian Railway Company can by no means be considered a safe investment. The company's earnings so far have not been sufficient to pay dividends on the preferred stock. Current earnings are showing up somewhat better, however. The stocks of this company may be considered as fairly good speculations.

Am. Car. & Foundry

W. A. M., Boston, Mass.—American Car & Foundry has had a very extensive rise in the market and at present levels we regard it as a very risky speculation. The stock certainly cannot be considered an investment in any sense of the word, and its recent market action has been such that we do not believe it will advance much further for the time being. The company, it is officially announced, has taken $7,361,000 war orders and domestic business has recently shown great improvement. The earning power of the company in normal times would not seem to justify the high price at which the stock is now selling. For the five years ended April 30, 1915, the company averaged 3.8% per year for the common stock, and paid out 2%. Just what profits the company will be able to make on its war orders is purely guesswork.

Maxwell First Preferred

H. Z. L., Northport, L. I.—Maxwell Motor first preferred is in a strong position, and is rapidly getting into the class of an investment stock. There are no bonds ahead of it. It is estimated that for the year ended June 30, 1916, the dividend will be earned over four times. We are of the opinion that you would do well to hold this stock as an attractive business man's investment.

Keystone Ordnance

J. F., Costello, Pa.—Keystone Ordnance owns the Adams Detonator Fuse, also the Jackson Fuse. The former is being tested by the U. S. Ordnance Department. It is considered possible that the U. S. Government will insist upon the exclusive use of this fuse. If it does, the Keystone Ordnance will receive a royalty during the life of the patents, approximately seventeen years. Contracts for these fuses from foreign Governments have been taken. These orders have largely been farmed out by the company, which has only maintained a plant for assembling .

American Graphophone

S. S., Cincinnati, Ohio.—American Graphophone is showing very remarkable earnings at the present time. The management, however, has decided on the policy of extending its business, and for that reason we do not expect an increase in the dividend until next year, or this Fall at the earliest. The next dividend on the common stock is due to be paid April 1 to stockholders of record March 15. We consider this issue at present prices an attractive speculation, and believe it quite likely that within the next year or so it may go as high as 200.

Pacific Mail

J. T., St. Louis, Mo.—The Pacific Mail stock quoted on the New York Stock Exchange is the stock of the steamship company formerly controlled by the Southern Pacific. Recently W. R. Grace & Co. offered the Southern Pacific $12.50 per share for their stock, which offer was accepted, so that Grace & Co. now control the Pacific Mail. It was formerly the intention of the company to dissolve, but Grace & Co. have decided that they can use the charter, and have, therefore, taken over the control of the company, which it will operate under its old charter. There has not, as yet, been any change in the capital stock, and there has been no announcement as yet that any change will be made. Pacific Mail, under the Grace management, undoubtedly will make good profits while the war lasts, but what it will be able to do after the war is problematical.

Atchison

G. T., Auburn, N. Y.—Atchison's earnings are showing up remarkably well, and as soon as the labor situation is satisfactorily settled it should be due for an advance. We suggest that you wait a while before purchasing the rails, however.

Lee Tire

C. M. M., Muncie, Ind.—Lee Tire & Rubber Co. was incorporated with 150,000 shares of stock, no par value; 100,000 shares are outstanding. In 1915 the company's earnings were equal to $5 per share on the present outstanding amount. Earnings are now at the rate of $10 per share per annum. At present prices we consider the stock an attractive speculation.

PUBLIC UTILITIES

Detroit United Railway

Municipal Ownership Plan—Franchise Situation—The "Jitney" Menace—Current Earnings—Outlook for the Stock.

By ROBERT S. PIERSON

DETROIT United Railway stockholders probably hope the Detroit City Street Railway Commission will find a way to make good its threat of last July, that "Unless the Detroit Street Railway agrees to terms of purchase by the city for all its lines within the one-fare zone by July 6, all negotiations will be called off and the commission will take steps by other ways and means to acquire a municipal street railway system." For if Detroit United could dispose of its city lines it would doubtless strengthen the property.

This would benefit Detroit United in several ways. First, it would relieve the railway company of the major portion of its bonded indebtedness, as any arrangement between the railway and the city officials would include this proposition. Then, by selling its city lines, the company would escape further intervention from city authorities in the operation of its properties. And there would be no future trouble over franchise matters, which has been a constant factor in recent years in the Detroit United Railway situation.

Another consideration which makes it desirable for the company to get rid of its lines within the city limits is the "jitney" menace. Of course, the jitney fad has about run its course in Detroit, as in other cities of the first class; but should the jitney business be revived, or another similar form of competition spring into existence, Detroit United would be well rid of those lines which would suffer most from such competition.

That the plan to dispose of the "one-fare zone" lines to Detroit was defeated badly at the election last fall makes it appear that any new attempt to secure favorable terms from the city will meet with the same fate; but even if the Railway Company has to accept less promising terms than those it refused to consider last year, it seems that the company would be considerably strengthened by turning its city lines over to the municipality.

Municipal Ownership Plan

The plan to turn over the street car lines operated by the Detroit United in the city proper to the municipality would have been highly profitable to the Railway Company, for it would have left some 600 miles of interurban lines still under the company's control. The mileage within the city limits is approximately 200 miles, and, while the traffic in Detroit is heavier than in the surrounding suburbs, the sections covered by the outlying trolley systems are fast growing in population, wealth and industrial importance.

When negotiations were under way for the transfer of the Detroit street lines in the "one-fare zone" to city ownership, it was proposed that the city assume the bonded debt of the Detroit United, amounting to about $24,000,000. Considerable time passed before any definite arrangement was agreed upon by the Railway directors and the city authorities, as the company at first refused to accept the city's offer because the Detroit officials would not agree to place the credit of the city behind the plan to purchase the property. The city

officials wanted to pay for the lines out of income, and several similar propositions were turned down by the Detroit company.

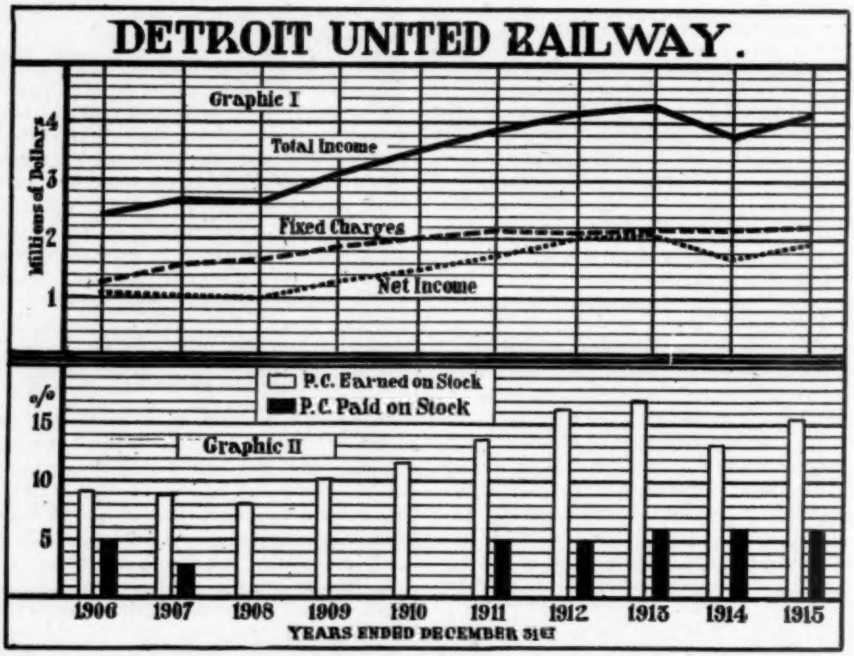
Finally, it was decided to allow the Circuit Court of the county to fix the purchase price, each side reserving the right to appeal to the Supreme Court of the State. But when the proposal of municipal ownership was voted on, in November of last year, it was defeated, less than fifty per cent. of the voters favoring the plan. A two-thirds majority was necessary for its success.

Probably the biggest factor in the defeat of the plan was that no definite idea was obtainable of what it would cost the city to acquire the city lines. It was estimated that it would not be less than $24,000,000, but it might have been as high as $30,000,000.

Current Earnings

In January of this year gross earnings were $1,171,585 against $956,274 for the corresponding month in 1915. Net earnings also showed a heavy increase, being $932,550 for the first month of the present fiscal year compared with $259,159 in January of 1915.

And, in addition to the greatly increased earnings for January, a reduction in fixed charges for that month was accomplished, the figure being $162,750 for January, 1916, against $164,336 in January of last year. Surplus for the first month of 1916 was $229,800, contrasted with $94,823 in the same month the preceding year.



In the latter part of February it was announced that the company had advanced the wages of its 3,000 employes. The increase in the payroll will cost the company approximately $250,000 annually, according to preliminary estimates.

The new scale provided that men receiving 25 cents an hour will get 27½ cents per hour, those now working at the rate of 30 cents an hour will receive 32½ cents per hour, while employes getting 35 cents an hour will receive no increase.

New Franchise in Mt. Clemens

On Feb. 28, 1916, the voters of Mt. Clemens authorized the city to grant a new franchise to the Detroit United's subsidiaries operating in that territory by a vote of 1,156 to 254. The new franchise gives the Detroit United an extension of thirty years from date, and provides that the company build a new bridge across the Clinton River at Macomb Street, at a cost of not less than $26,000.

Also, the company is required to double track certain streets, and to contribute upward of $15,000 toward the construction of a new bridge on South Gratoit Avenue at any time the city decided to build.

Earnings Last Year

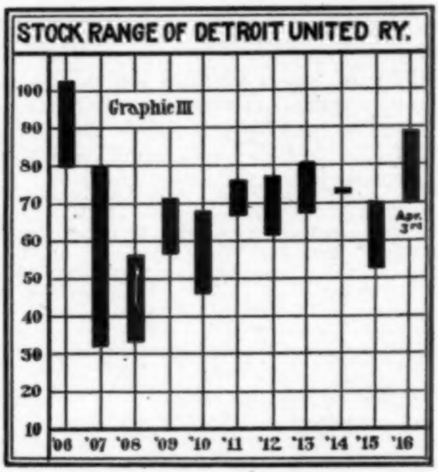
Though the amount available for dividends in 1915 was smaller by $490,239 than the preceding year, gross revenue and net and total income showed good gains over the previous year. The reduction in surplus after charges was due to the charging off of $456,000 more for depreciation in 1915 than in 1914, and also to an increase of $63,729 in interest and taxes during last year. The surplus of $1,210,761 for 1915 was equal to 9.67 per cent. on the $12,500,000 outstanding stock compared with $1,301,000, equivalent to 10.4 per cent. in 1914.

Gross operating revenue of the Detroit United Railway system in 1915 totaled $13,325,551, which was a gain of nearly $1,000,000 over the preceding year's operations. Total income, after operating expenses, was $4,190,562, an increase of $379,490. The gain in net was only about $300,000, but this is a good showing when it is considered that depreciation charges in 1915 amounted to $750,000 compared with $294,000 the previous year.

After paying the 6 per cent., or $750,000, in dividends, the balance carried to profit and loss account was $460,761 in 1915 against $551,000 in 1914.

Of the gross earnings, $12,381,829 came from passenger traffic, $800,527 from express traffic, $12,162 from mail business, and $41,034 from special car service. The company's annual statement does not give the earnings of the city lines in Detroit separately, so it is not possible to ascertain just where the biggest improvement was made. Beside the city lines in Detroit, the Detroit United Railway operates the Sandwich, Windsor & Amhertsburg Railway, the Detroit, Monroe & Toledo Short Line, and the Detroit, Jackson & Chicago Railway.

The number of passengers carried last year was larger by 36,013,358 than in 1914; revenue passengers being 22,615,188 larger and transfer passengers 13,187,083 more. Gross per car mile in 1915 was 28.57 cents as compared with 27.27 cents the year before, while net per car mile was 8.34 cents against 7.88 cents in 1914.



Detroit United's depreciation reserve was $3,476,472 on January 1, 1916, as compared with $2,707,227 January 1, 1915. The $50,000 Detroit Railway bonds, which matured December 1, 1915, were paid on that date. Total mileage at the beginning of the present fiscal year was 838.66 miles, an increase of 18.03 miles.

Outlook for Stock

That Detroit United stock recently sold higher than at any time since 1906 would seem to indicate, at a first glance,

that it had about reached its top price, and that the next swing in it would be on the downward side. But on closer examination of the very favorable current earnings, and the fact that for the past decade the dividend requirements have been twice earned, after bonded interest charges, it would appear that the issue is entitled to move even higher than its present level. At 90 the stock yields 6.7 per cent.

Investors, however, would do well to study the probable future of Detroit United before putting their money in it. Public utility transit companies in this country are always subject to possible intervention in the management of their property by city officials and state regulating bodies, and, while it would seem that Detroit United has finally made its peace with the authorities in the city of Detroit, no one can foresee what new problem will arise.

Therefore, before investing in securities of this class, the purchaser should adjust his mental attitude to the possibility of certain unfavorable developments, so that, should new obstacles be thrown in the company's pathway, he would not be taken unprepared.

WHICH IS YOURS?

Following is a list of persons who have sent subscription funds to THE MAGAZINE OF WALL STREET, but owing to the fact that their letters contained insufficient information as to names and addresses we have been unable to fill their subscriptions. If they will furnish us with their correct names and addresses we will give their orders immediate attention.

INITIALS	NAME	CITY	STATE	AMOUNT
	Babcock	Watertown,	N. Y.	$1.00
M. A.	Hanna			
		Greensburg,	Pa.	1.00
		Colorado Springs,	Colo.	1.00
		Elmira,	N. Y.	1.00
	Young		———	1.00
		Rockaway,	N. J.	1.00
		Boston,	Mass.	1.00
		Port Arthur,	Texas	1.00
Thos. D.	Geel		———	1.00
	Guilford	Minneapolis,	Minn.	1.00
	Fischer	Philadelphia,	Pa.	1.00
	Clapp	Moberly,	Mo.	1.00
		Richmond,	Ky.	1.00
Ranion	Guiteras	New York City,	N. Y.	1.00
	Crane	Washington,	D. C.	1.00
Chas. L.	Ince	New York City,	N. Y.	2.00
Chas. W.	Rats	Station X, New York City,	N. Y.	1.00
		Ft. Wayne,	Ind.	1.00
		Poughkeepsie,	N. Y.	1.00
		Quincy,	Ill.	1.00
		College Sta., New York City,	N. Y.	3.00
		209 S. State St., Chicago,	Ill.	2.00
	Billman		———	1.00
	Walker		———	1.00
	Campbell	Philadelphia,	Pa.	1.00
	Beach	New York City,	N. Y.	1.00
	Martin	Sta. O, New York City,	N. Y.	1.00
	Washburn		———	.25
		Riverside,	Conn.	1.00
	Page	Waterbury,	Conn.	1.00
	Hart		———	1.00
	Nicholls	Fall River,	Mass.	1.00
		306 N. Jefferson St., New Castle,	Pa.	.15
	Gould	Marlboro,	Mass.	1.00

Notes on Public Utilities

American Light & Traction—Surplus for stocks showed a GAIN of $206,000 for the first two months of 1916 over the corresponding period of 1915. Of the two months increase, $94,000 was made in January and $112,000 in February.

Boston Elevated—Expenditures for snow removal this winter totaled $130,000. March earnings are expected to be about $90,000 ahead of same month a year ago.

Cities Service—First two months of current year were at annual rate of 30% on the common.

Chicago Telephone—President Sunny of company predicts there will be a MILLION telephones in use in Chicago by 1930. There are now 411,680.

Detroit Edison—Gross earnings for year ended January 31, 1916 were $7,291,541, surplus for year $674,285 and total surplus $1,842,192.

Edison Co. of Boston—Declared regular quarterly dividend of $3 a share.

Great Lakes Power—Plans of new company include EXPENDITURE of $3,000,000 on the properties acquired.

Great Western Power—Gross earnings are running at rate of $3,790,000 for the current fiscal year.

Interborough Rapid Transit—In January 60,503,909 passengers used the subway and elevated lines, an INCREASE of nearly 5,000,000 over January of 1915. In eight months of current fiscal year ended February 29, company earned a surplus available for dividends of $5,489,423, equal to 15.7% on the $35,000,000 stock.

Massachusetts Gas—Combined net earnings available for dividends of subsidiary companies for February were $282,938, an INCREASE of $33,069, or 13.23%, as compared with same month a year ago.

Massachusetts Electric—March earnings showed good gains, gross being $72,000, or 11.25%, better than March, 1915.

Northern States Power—Gross for year ended December 31, last was $5,121,826, an increase of $725,958, net was $502,264 better and surplus gained $333,992.

Pacific Gas & Electric—February gross was $1,600,035 showed increase of $111,492. Quarterly dividend of 1¼% on the common stock, recently declared, is first cash dividend on this stock since April 15, 1913.

Philadelphia Co.—February gross, all companies, was $2,498,695, an INCREASE of $309,001 over same month in 1915 and net was $144,895 better. Eleven months gross showed gain of $1,378,485 and net gain of $2,036,356. Expected to increase common dividend from 6% to 7%. Company earned 13% in past fiscal year.

Portland Railway, Power & Light.—Report for February, shows net earnings after taxes of $156,239, a decrease of $34,319, and deficit after charges of $24,997, an increase of $32,934.

Public Service of Northern Illinois.—Illinois Public Service Commission authorized this company to issue $2,012,500 common stock and $2,943,000 first and refunding bonds. The holders of $10,062,500 common stock now outstanding will be offered the privilege of subscribing to a new issue of common at par in ratio of 20 per cent. of their present holdings.

Public Service Corp. of N. J.—February gross INCREASED $410,227, or 14.5%, over February last year. For first two months of 1916 there was a gain in gross of $737,631, or 12.4% compared with same two months in 1915.

Republic Railway & Light.—Gross earnings for February were $310,459, or $77,222 more than those for the corresponding month last year. The net earnings were $130,607, an increase of $42,735.

Standard Gas & Electric—All subsidiary companies are in good financial condition and the holding company is free from floating debt.

Third Ave. Railway—February net income increased $10,757 and March has shown an average increase of $2,500 daily. In eight months ended February 29, company earned 3.50% on stock against 3.10% for same period last year.

United Railways of St. Louis—Gross income in 1915 was $11,681,200 against $12,538,826 previous year and total net income of $2,853,495 compares with $3,126,296 in 1914. Lower earnings said to have been result of industrial DEPRESSION in St. Louis.

United Gas & Electric—Consolidated earnings of company for fiscal year ended December 31, 1915 were; gross, $13,564,410; net income $6,728,291. In 1914 gross was $13,129,132 and net income $6,216,839.

Virginia Railway & Power—Declared usual semi-annual dividend of 1½% on common stock.

Western Union—Earned 10.19% on the stock in 1915 compared with 5.4% in 1914. Total earnings were $51,171,795 and in 1914, $46,264,776.

Public Utility Inquiries

B. R. T.

A. N. O., Providence, R. I.—There appears to be little or no danger of a reduction in the B. R. T. dividend at the moment. When the new subways are opened in 1918, however, it is rather uncertain how the earnings of B. R. T. will be affected, and it may be that the dividend will have to be reduced at that time. In the near future you will very probably be given an opportunity to get out of this stock without a loss.

American Water Works & Electric

W. C. F., Boston, Mass.—The American Water Works & Electric Company is a reorganization of the old Kuhn properties of Pittsburgh. The 20-year collateral trust 5s of April 1, 1934 are secured by deposit of stock of the constituent companies and they are not regarded as a high class investment bond in the same way and manner as a good first mortgage public utility bond might be. We always advise against putting too much money in any one security. While these bonds are an excellent investment, there are many other bonds just as desirable and we see no reason why you should overload yourself with these.

Utah Power & Light 5's

M. C. H., Johnstown, Pa.—As you wish a selection of some four or five additional investment bonds yielding 5% or more, we suggest that you consider purchasing Utah Power & Light first mortgage 5s of 1944, now selling about 97½ and interest. Interest is payable February and August. These bonds are a first lien largely by direct first mortgage of much property of the company, and by deposit of first mortgage bonds a lien on the balance of the company's property. Earnings are at the rate of double interest charges and there are no underlying bonds of any kind. About $14,000,000 of the bonds are outstanding and the company is controlled by the Electric Bond & Share Company which is owned by the General Electric Company. We believe that the management is excellent.

Cities Service Pfd.

C. H., Montreal, Que., Canada.—Cities Service pfd. we regard as an excellent business man's investment. There is not likely to be much of an upward move in this stock, however, in the immediate future. We suggest that you wait for somewhat higher prices for your Anaconda, and you can then sell and put the proceeds in Cities Service pfd.

Commonwealth R. Power

H. S. H., Grand Haven, Mich.—Commonwealth Power Ry. & Light is showing good earnings and we believe it to be quite likely for the convertible bonds to sell somewhat higher. We suggest that you hold your bonds until maturity and then convert them.

Public Utility Pfd. Stocks

T. H., New York City.—The following public utility preferred stocks give an attractive yield on the investment and as the dividend is earned with a large margin to spare they can be regarded as good securities for a business man to put his money into: Illinois Traction pfd., Cities Service pfd., Montana Power pfd., Pacific Gas & Electric first pfd., Commonwealth Power Railway & Light pfd.

United Light & R. R. Pfd.

H. H. P., St. Paul, Va.—United Light & Railways pfd. stock can be regarded as a good business man's investment. The common stock, however, is rather speculative. The company is reporting good earnings, however, and as a speculation it is not unattractive.

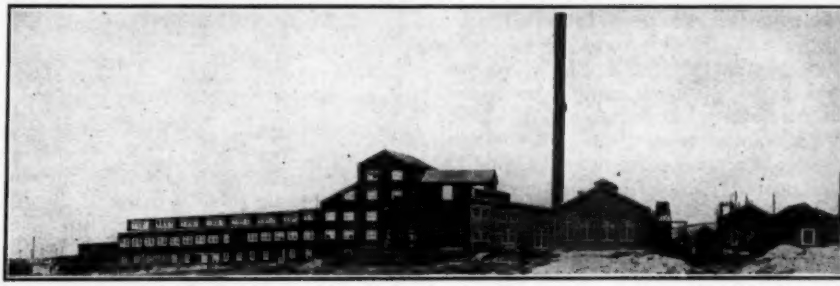
Public Utility Stocks

W. A. H., Pawtucket, R. I.—Binghamton Light, Heat & Power 6% pfd., Pennsylvania Electric 6% pfd., and Fort Worth Power & Light 7% pfd., are excellent public utility stocks and can be regarded as attractive investments for a business man. Each one of these companies earn their preferred dividend with a very large margin to spare. Moreover, their earnings have shown healthy increases in recent years, and there appears to be no good reason why they should not continue to do so.

Interborough Investigation

B. A. R., Louisville, Ky.—It is expected that the Thompson Investigating Committee will remain in session until July. This Committee's investigation of Interborough Consolidated's affairs and, in addition the suit recently brought against Interborough Metropolitan, has undoubtedly had an adverse effect on the common stock of the Interborough Consolidated Corporation. We do not particularly favor this security. When the new subways are opened in 1918, it is difficult to see how, for the first few years, the company will earn enough to even cover the preferred dividend, much less leave anything over for the common. However, the stock is a speculative favorite and is quite likely to be given another upward move.

MINING AND OIL



Mill and Power House with Machine Shop to the Right

So. Utah Mines & Smelters

Remote Chances of Revival of This Property—Its Hope Lies in Oil Flotation Process and New Ore

By JOHN D. BLAKE

THERE are two things to which South Utah Mines & Smelters stockholders may pin their faith, such as it is, and we qualify the statement advisedly, for people who have been subjected to as many disappointments as the shareholders in South Utah cannot be expected to have much faith left. In the first place there are reasons for hoping that the shares will enjoy a speculative market enhancement along with another upturn in the general copper list, provided the war lasts and the price of the metal continues high, in which case there would be plenty of bull ammunition to expend on the good copper stocks, and some left over for the bad, indifferent and apparently worthless ones. By all known standards, excluding chance occurences, South Utah is entitled to be put in the latter classification. The chance is the possibility that an ore body of value may be uncovered, and this is the second point of contact for the pin of faith. There has been practically no ore taken out of the mine since August, 1914, when a cloudburst and the war forced suspension of operations.

Ancestry of the Company

As stated, South Utah has been a decidedly disappointing propostion. The record of its ancestors is nothing to be proud of, and being the offspring of a wrecked and destitute parent, it has at least a certain brand of excuse for its failure to make good. The present company was incorporated in 1909 in Maine, as successor under foreclosure to the property of the Newhouse Mines & Smelters, which had in 1903 succeeded the Cactus Smelting Copper & Mining Co., originally the Royal Copper Co., organized in 1901.

Of the Newhouse Mines & Smelters, that authority on copper mines, Horace J. Stevens, said: "A dividend of 50 cents per share, amounting to $300,000, was paid August 31, 1907, by the Newhouse Mines & Smelters, and was termed a first quarterly dividend, but had no successor, there being no profit to divide, and the management should have known when declaring this dividend, in July, 1907, that conditions were such market-wise and physically that a continuation

of dividends was impossible. Apparently, the action of the management in declaring this dividend, and calling it the first quarterly dividend, was for market effect only. For the fiscal year ending June 30, 1908, the property made net earnings of $79,921, against which was a bond interest of $81,000, showing a small loss on the year's operations."

Organization

The company was organized with a capitalization of $4,300,000 in stock, par value $5, and $1,300,000 in 20-year convertible 6 per cent. income bonds. Interest on the bonds is payable, if and only when earned, which gives them at least an unusual distinction. As no net earnings have been reported, no bond interest has ever been paid. The balance sheets show that a small part of these bonds have been converted or canceled.

The property of the Newhouse Mines & Smelters was bought for $500,000, old shareholders being given stock share for share, plus a payment of $1 a share for new stock. As a result of the reorganization about $600,000 was brought into the treasury. Of this all but about $200,000 was required to liquidate the floating debt inherited from the old company, including $144,000 owed the United Metals Selling Co. The latter is said to have been settled in full. Various estimates placed the treasury capital of the company at $200,000 to $350,000 at the start of its career. It was reported that in April, 1911, cash on hand approximated $160,000.

Properties

The company's mining properties are located in the San Francisco mining section of Beaver County, Utah, and comprise the Cactus and twelve other mining claims containing 201 acres of mineral lands; also the Midvale Placer, containing 158 acres and agricultural lands of about 7,880 acres in extent, on which are located a milling plant and the eight mile Wah Wah water system. The equipment includes about four miles of railroad, an underground electric mine railway, 6,200 feet long, a reduction plant of 1,700 horse-power, crusher house and concentrating mill of 1,000 tons daily capacity. The latest available report shows the property account at $4,021,869.

Operating Results

In the fiscal year ended June 30, 1912, 3,020,106 pounds of fine copper were produced; in 1913, 1,131,583 pounds, and in 1914, 2,680,249 pounds. In the three years, respectively, deficits of $31,114, $68,997 and $5,153 were shown, which brought the accumulated profit and loss deficit up to $192,504. Mining costs have been estimated at 90 cents a ton and milling costs at 50 cents, but after allowance for smelting costs, the profit, if any, on 12 cent copper was exceedingly narrow. Twelve levels were driven in the ore body to the 900 foot level and stopes opened to the 700-foot level. There were a number of cave-ins, which from time to time crushed some of the pillars above the 500 foot level and interfered to a great extent with operations, although some of the ore was later recovered.

In September, 1914, it was announced that the mines had shut down. The demoralization of the copper market at that time due to the war would have made it inadvisable to continue operations even had they not been rendered practically impossible by a cloudburst which occurred in August, and washed away about a mile of the railroad track, and crippled the power line. As a matter of fact the mill had ceased running in the previous April because it was found that the low grade milling ore had been practically exhausted. Work was, however, continued on a high grade vein which ran between 20 per cent. and 25 per cent. copper and had been discovered in February on the 600-foot level. This vein was a narrow one of about 18 inches to two feet but gave promise of opening up wider and possibly leading to a high grade ore body. During May, June and a part of July several cars of this ore were shipped direct to the smelter and returned a profit. After the washing away of the railway track the ore was teamed for a while, but in the meantime the general market situation went from bad to worse and when copper prices

dropped to 11½ cents a pound it became apparent that attempts to continue operations of any kind would be futile. Subsequently further tests were made which failed to prove up any very strong ore body. The mine was reopened in April of 1915 and a little ore taken out, but the vein narrowed to about 12 inches and the values decreased.

The Tailings Dump Lease

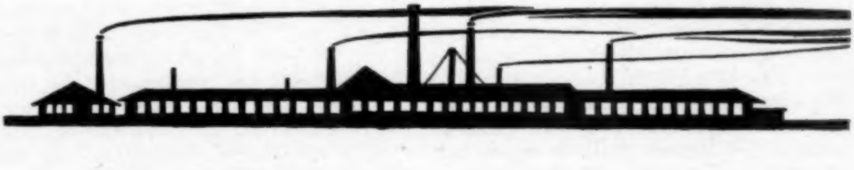
So much for the mine operations up to date. The company has made a lease of its tailings dump on a royalty basis, and it is stated that the treatment of the tailings under a new process by the leasing company is meeting with some success. The lease, it is said, should bring the company a total revenue of $150,000 during the next four or five years. This royalty would be more than sufficient to maintain the cost of keeping the mine in condition to resume operations if further developments warrant, as the current monthly charges are not in excess of $1,000. Tailings accumulated on the dump during the last eight or nine years are estimated at 1,000,000 tons, containing less than 1 per cent. copper.

Considering Reopening Mine

The oil flotation method of treatment of the tailings dump may be found to be susceptible of satisfactory application to the treatment of low grade ore now remaining in the mine. The management has therefore under consideration the installing of a plant in its mill to handle this ore since its treatment might prove profitable with copper at current high prices. The company now has on hand about $30,000 in cash and has no floating debt, so that it should be in a position to install the necessary plant. W. Lee Heidenreich, General Manager of the mine, is at present investigating the situation and is expected to make a report shortly which will determine the immediate future course to be pursued. In the event it is decided not to treat the ore it may be possible to lease the property on a royalty basis.

What May Happen

If the proposal to put the mine into operation again materializes it would appear that the most that can be expected is that enough revenue will be produced to enable the company to pursue further exploration work and thus open up the possibility of the discovery of another vein or ore body. There have been instances of presumably worthless mines having a marvellous come-back, upon the striking of unsuspected bodies of ore. A notable case in point is that of Copper Queen, now one of the greatest copper mines in the world, but instances of this sort are in a very small minority.



Cerro Azul No. 4 World's Greatest Oil Well

Mexican Petroleum's "Strike"

What the Discovery of the Record-Breaking "Gusher" Means—Co's World-Wide Development Plans—Outlook for Stocks

By GEORGE S. HAMMOND

SPEAKING of the theoretical worth of Mexican Petroleum stock, a member of the banking syndicate which underwrote the original issue of the company's securities, said to the writer several years ago:

"In my judgment Mexican Petroleum is worth considerably more (the stock was then selling in the fifties), I believe that it will sell much higher in the next five years. The average investor has no realization of what tremendous possibilities for oil exist in Mexico, and in the oil land areas owned by the company. Some day I confidently expect an oil well will blow in which will astonish the oil world."

Viewed in retrospect, the above statement seems almost an inspired prophecy, for on March 10 of the current year, the Huasteca Company, the most important subsidiary of the Mexican Petroleum Company, brought in the Cerro Azul No. 4 well (see cut at the head of this article), which is by far the greatest single producing oil well the world has yet seen. The birth of this record-breaking gusher is vividly portrayed in the Mexpet *Record*, issued by the company and from which we quote:

"There was a rumbling and a tremor, then a terrific roar which sounded as if a volcanic eruption were taking place. As these noises began the men ran for their lives. Before they were 20 feet away, such was the force of the gas, the great drill, weighing two tons, shot through the air to a great height and landed forty-one yards from the well, almost at the very feet of the photographer.

"The throwing out of the tool carried away the crown of the derrick and the greater part of the structure was quickly demolished by the force of the gas, tearing it down to the fourth girth.

"This great body of gas was struck early in the morning and continued to increase. About the middle of the afternoon oil appeared.

"As the quantity of oil increased, the jet rose more and more until early next morning, when our engineer, on making an accurate measurement with instruments, found it to be 600 feet high. The well at that time was making at the rate of 100,000 barrels a day. As the quantity of oil increased the height of the wavering jet was reduced somewhat, so that it stood about 500 feet just before it was closed in."

By the time the heavy shut-off valve had been fixed in position over the huge jet of oil, the flow had reached a rate of 260,000 barrels a day, which, as an interest close to company dryly expressed it, "assuming that Azul No. 4 takes no time out for Sundays or holidays," is at the rate of approximately 100,000,000 barrels a year. The enormity of this rate of production is indicated by Graphic 1, which shows that the production capacity of the new well is approxi-

mately one-third of the *entire output of the United States,* as reported for last year. It is almost as great as the output of Oklahoma, which produced 123,-000,000, round figures, last year, and greater than the 90,000,000 barrels produced by California, the second largest producing state in the Union.

Significance of Azul No. 4

The meaning of the new well is simply this: the Mexican Petroleum Company now has a production to meet all demands upon the company. Moreover, it is important to note that the new well is in the center of a valley of 52,000 acres owned by the Huasteca Company, and that there are four wells in the same field which can be brought in at any time, so that it appears that the production problems of the company have been solved for years to come, and that the management may devote its entire energies to the problems of handling and marketing its oil.

In this connection the company is planning for larger fleets and more and larger storage stations. A contract has been recently placed for another tankship to be delivered in 1917, which makes eight ships now under construction, of which four will be in commission within a few months.

A World Policy

That the management of Mexican Petroleum have fixed their ambitions upon a development policy which shall become world-wide in its ultimate effects, is seen in the company's recent merger into the $150,000,000 Pan-American Petroleum and Transport Company. The latter concern controls Mexican Petroleum by ownership of about 45 per cent. of the common stock of "Mex-Pete," and 76 per cent. of the preferred stock. The Mexican Petroleum Company is now a corporate brother with the Buena Fé, the Petroleum Transport and the Caloric companies in the work of producing and marketing fuel oil and other pretroleum products in all the Americas.

It is understood that arrangements are under way whereby certain of the big California producing companies will be brought into the Pan-American merger, and the companies mentioned in this connection are the California Petroleum Corporation, Associated Oil, Union Oil and Independent Producers' Agency, the latter representing about 130 companies.

One of the chief reasons for this merger, outside of the economies and advantages obtained from the avoidance of wasteful duplication of properties, is the necessity for the proper development of the owned oil properties.

Case of the Cushing Pool

The Cushing Pool era in Oklahoma is a case in point of what happens in the case of ill-regulated development.

MEXICAN PETROLEUM'S PAST AND PROSPECTIVE EARNINGS

Years Ended Dec. 31.	Mexican Petroleum Co., Ltd.	Petroleum Transp. Co.	Proportion Applicable to Pan American Company.
1913	$4,275,369*	$305,366†	$2,497,636
1914	2,763,055	446,866	1,959,473
1915 (Dec. Estimated)	2,715,000	570,867	2,057,894
1916 (Estimated)	6,750,000	916,600	4,192,923

(* Does not include $907,395 special profit on the sale of property.)

(† Company operated for only part of 1913.)

As shown above, the earnings applicable to the new company have been as follows:

For the three years ended Dec. 31, 1915 (December, 1915, estimated) average earnings per annum $2,171,667
or over three times the annual dividends on the $10,000,000 7% Cumulative Convertible Preferred Stock.

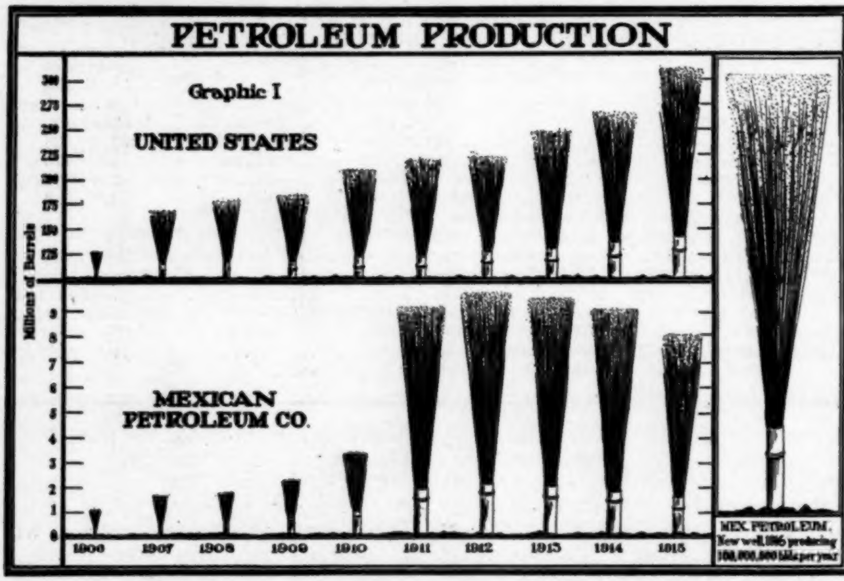
For the year ended Dec. 31, 1915 (December estimated) 2,057,894
or about three times said preferred dividend requirements.

Through indiscriminate drilling, done against the best oil experts' advice, the Cushing field production was brought up to as high as 300,000 barrels a day, and at a time when the oil market conditions were far from satisfactory. Now that oil prices are soaring, the Cushing field is producing only about 100,000 barrels a day. Greedy exploiters had "gutted" the field at an unfavorable time. The avoidance of a repetition of such an occurrence is behind the Pan-American merger, and it is authoritatively stated that this giant corporation has already gathered under one management the largest area of proved oil lands in the world.

History and Properties

The Mexican Petroleum Company (Ltd.) was incorporated in Delaware in 1907, but its stocks were not listed on the New York Stock Exchange until 1912. It is a simon-pure holding company, as it does not own directly any properties or plants, but owns stock of operating companies, to wit: 97 per cent. of the Mexican Petroleum Company of California and the entire capital stock of the Huasteca Petroleum Company, Tamiahua Petroleum Company and Tuxpam Petroleum Company. These four operating companies own or control 6,000 acres, or nearly 1,000 square miles of land.

In December, 1914, the two operating subsidiary companies had 13 wells in operation, with an approximate production of about 30,000 barrels a day, and there were ten wells closed in with a capacity of about 120,000 barrels daily, making the total capacity something like 150,000 barrels, not counting the new and greatest of all, the Azul No. 4. The oldest wells have been flowing for about 10 years, and the newest about 4 years. The companies have storage capacity for more than 10,750,000 barrels of oil, and contracts for the sale of petroleum to about 20 large purchasers, which amount to more than 30,000 barrels daily, and, in the aggregate, contracts for over 60,000 barrels, of which about 35,000 barrels is for Mexican consumption and about 25,000 barrels United States consumption.



Capitalization and Earnings

Mexican Petroleum has authorized and outstanding $12,000,000 8 per cent.

non-cumulative preferred stock and $48,000,000 common, with about $37,689,000 outstanding. Its bonded debt consists of three series of convertible, first lien, 6 per cent. mortgages, of which there are outstanding, respectively, $1,191,000, $1,160,000 and $1,344,000. Dividends on the preferred stock amounting to 3 per cent. were paid in 1907, and the next year the preferred went to an 8 per cent. basis, where it remained until 1913, when the disturbed political situation in Mexico caused a suspension of the preferred dividends. Recently the directors restored the 8 per cent. rate, indicating that the management feels that the Mexican situation has materially improved and bids fair to remain permanently satisfactory. The common stock paid 3 per cent. in 1912, 4 per cent. in 1913, and nothing since.

The table which accompanies this article summarizes the company's income accounts for the last four years. It shows that not only have the preferred dividends been earned with a very large margin of safety, but that each year has shown a substantial balance on the common stock.

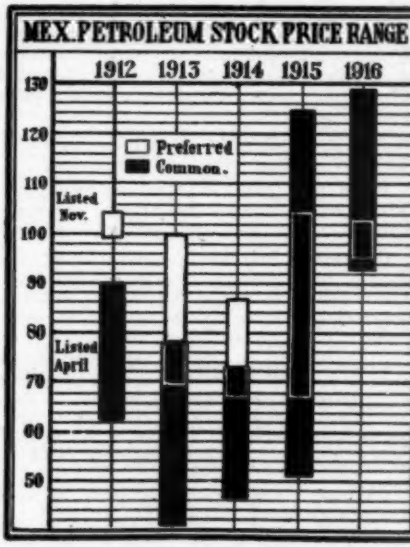
The 1915 annual report has not yet been issued, but Table 1 which is a digest of earnings as expressed in a recent letter by President Doheny to the companies of the Pan-American merger, gives a clear idea of present and prospective earnings.

Prospects for the Company

Mexican Petroleum is a company in the mid-stages of development, with the prospects for a constantly broadening sphere of activity, as the extensive plans formulated for it are gradually realized. At the present time it is hampered by the lack of transportation facilities, but that difficulty is being met and overcome as fast as possible. The company is extending its operations in all lines. Its new refinery at New Orleans was recently put into operation, and it is expected that the long proposed pipe line from the Tampico fields to the City of Mexico will be able to be completed in the near future. Space does not permit further amplification of development plans.

In considering Mexican Petroleum stocks, the uncertainties of the Mexican political situation must be taken into consideration.

One of the strongest reasons why Mexican Petroleum is likely to be allowed to operate undisturbed is that the taxes it pays to the Mexican government are an important item in the latter's annual income. The company follows the policy of maintaining a strictly non-political attitude and recognizes whichever party is in power. For instance, in 1914, it paid $1,006,805 of



dues and taxes to the Mexican government, although under protest. For any political faction in control to interfere with Mexican Petroleum's operations would be killing the goose which lays the golden egg.

The preferred stock is an excellent oil investment, as the dividend is earned with margins beyond the most conservative safety requirements. The common stock is an attractive speculation in view of the potential earning power of the company. That the common, paying no dividends, is selling above par, affords considerable of an index as to its potential value.

Mining Digest

Algomah Mining—In 1915 company SOLD 5,005 lbs. copper at 18 cents. Annual reports show excess liabilities of $18,133 compared with $14,597, surplus on December 31, 1914.

Ahmeek Mining—Reports for year ended December 31, 1915 NET EARNINGS of $2,264,882, or $11.32 per share, compared with $462,644 in previous year. Production amounted to 21,800,492 lbs. of copper, at cost of 7.96 cents per lb.

American Smelters Securities—Total income for 1915 of $9,397,120 shows INCREASE of $3,244,149.

American Zinc—Directors voted to ask stockholders at annual meeting April 12 to AUTHORIZE issue of 100,000 preferred share with $6 annual dividend rate. This will permit declaration of 50% stock dividend.

Arizona Commercial—Net PROFITS of $211,775 were earned in 1915 on 44,353 tons of ore.

Anaconda Copper—Earnings CONTINUE at enormously high rate.

Butte & Superior—February PRODUCTION was 15,645,000 lbs. of zinc compared with 12,295,000 lbs. in same month of 1915.

Calumet & Arizona—Reported in western dispatches company has authorized EXPENDITURE of $1,200,000 to increase capacity of big smelting plant in Douglas, Ariz.

Chino—During first 20 days of March, copper was PRODUCED at rate in excess of 6,000,000 lbs. per month.

Chile Copper—Since June, 1915, when operations were started, over 30,000,000 lbs. of copper have been PRODUCED.

Champion Copper—Declaration of $6.40 a share dividend makes TOTAL of $11.40 so far this year.

Consolidated Arizona—Reports for year ended December 31, 1915 net PROFITS, before depreciation, of $194,943.

East Butte—Net surplus from 1915 operations of $782,997 is equal to $1.90 PER SHARE compared with $222,252 in 1914. Company has cut on the 1,500 foot level, eight feet of ore, which it is reported, will assay close to 7% copper.

Federal Mining & Smelting—Total INCOME in 1915 was $808,602 compared with $891,556 in previous twelve months.

Goldfield Consolidated—Realized net profits of $1,558,308 from production of 390,054 tons of ore in 1915. This was a DECREASE in net of $279,915 from previous year.

Granite Gold mining property at Valdez, Alaska, reports March production should exceed February, and April excel March, now running about $20,000 every thirty days. The next 2c. per share monthly dividend will be declared May 1.

Isle Royale—Mining PROFITS in 1915 of $498,277 were equal to $3.32 per share. In 1914, $84,756 was earned.

Island Creek—Expected to EARN $8 per share for the common this year. In 1915 net profits, after depreciation, totaled $690-252.

Inspiration—March PRODUCTION of 9,300,000 lbs. of copper compares with output of 8,310,000 in February.

Kennecott Copper—Rumored Kennecott is to ACQUIRE a new property.

Kenefink Zinc—Earnings are reported to be running at satisfactory rate and it is rumored monthly dividend may be increased.

La Salle Copper—Annual report for 1915 shows 44% INCREASE in production over preceding year. Total receipts in 1915 were $150,598.

La Rose Consolidated—Net profits of $230,662, equal to 15 cents a share, were made in 1915.

Lake Copper—At present rate of production company is EARNING at rate of $3 a share per annum.

Miami Copper—First quarter of 1916 showed earnings of $1,230,000. Plans are being made for INCREASE of production from 30,000,000 to 60,000,000 lbs. of copper annually.

Mohawk Mining—January and February PROFITS totaled $260,000.

National Lead—NET EARNINGS in 1915 were $2,710,525, equal to 4.86% on the common, largest since 1909.

National Zinc & Lead—Boston expert says earnings should DOUBLE in next 30 years.

Shattuck-Arizona—March production was over 1,595,000 lbs. of copper. Now PRODUCING at rate of 20,000,000 lbs. of copper annually.

Superior Copper—Mining PROFIT was $245,017, or $2.45 a share, in 1915, compared with $23,395 in previous year.

Tennessee Copper—Declared regular quarterly dividend of 75 cents a share.

Utah Consolidated—PROFIT of $1,128,-128 was earned in 1915, equal to $3.76 a share.

Utah Copper—OUTPUT in February was 11,849,972 lbs. compared with 11,999,-910 in January.

U. S. Smelting—Mining PROFIT aggregated $6,592,324 in 1915, equal to $13.92 a share. Stock listed on N. Y. Stock Exchange.

Mining Inquiries

Lake Copper

B. M., Galesburg, Ill.—Lake Copper is capitalized with $2,500,000 stock, par value $25. This company will not make the big money it once promised to do but it looks as though it will develop into a fair producer. At present the company is producing copper at about 10 cents a lb. and is earning at the rate of from $2.50 to $3 per share, with copper at its present level. We have no information available as to just how big a producer it was before the mine closed down in 1913. This is a vein mine and, therefore, there is not much ore reserves blocked out. Development work is showing up favorably, however, and it is the best opinion that the mine has many years of life ahead of it. The drop in the price of copper metal in 1907 was due to the generally poor industrial conditions at that time. What the future course of copper metal will be will probably depend on how long the war will last. When the war is over, there is considerable diversity of opinion as to how the price of the metal will be affected. There will probably be a slack in domestic demand, but it is hoped that the demand for copper from the countries which have been cut off—Germany and Austria—will more than offset this. However, this is a matter regarding which no one can state an opinion with any degree of certainty.

Gen. Asphalt Co.

J. F., Philadelphia, Pa.—General Asphalt Co. common stock we consider a fairly attractive speculation at present levels. In the past the company has proved itself to be a reasonably consistent earner. For the seven years ended January 31st, 1915, the company's earnings averaged 4¼% per annum on the common stock, after liberal depreciation charges. Earnings for the year ended January 31st, 1915, it is true, were poor, but this was a result of the general industrial inactivity throughout the country. It is our opinion that if you hold your stock you will ultimately be able to get out without a loss.

Pittsburgh Coal

H. R., Medina, N. Y.—Holders of the 7% cumulative preferred stock of the Pittsburgh Coal Co., of New Jersey (your stock) will receive for each $100 par value and all accrued dividends thereon, amounting on January 1st, 1916, to $44.58 per share, 6% cumulative preferred stock of the Pittsburgh Coal Co., of Pennsylvania to the par value of $133.33. We are of the opinion that you would do well to hold your stock and make the exchange.

Chino Copper

C. K., Brighton, Mass.—Chino Copper in 1915 paid $3, as follows: 50 cents in March; 75 cents in June; 75 cents in September, and $1 in December. The interest on your investment for 1915, therefore, figures out at 6.7%, if you paid $44 for the stock. In 1916, Chino is expected to pay at least $5 which would give you a yield of 11.3% on your investment. We consider this a good stock to hold for investment purposes.

Goldfield Consolidated

F. P. Freeland, Pa.—Goldfield Consolidated has considerable property which has not yet been mined and which appears to have prospects of showing good ore. The nature of the ore is such, however, that it is impossible to gauge its value until it is actually mined. The future course of the stock will entirely depend on how development turns out. It might be well for you to hold this stock, as its price is low and there are prospects that more good ore will be uncovered.

Vir. Iron, Coal & Coke

A. B. D., W. Somerville, Mass.—Virginia Iron, Coal & Coke Co. for the year ended June 30th, 1915, reported a deficit of $244,722. In connection with the deficits shown by this company, the fact must be taken into consideration that very heavy charges are made for depreciation and depletion. Current earnings are showing great improvement over the last year because of the increase in the price of iron. The stock must be considered a highly speculative one.

Yukon Gold

F. P. T., Salida, Colo.—Yukon Gold was incorporated under Maine laws, February 28, 1907, with an authorized capital of $25,000,000, consisting of 5,000,000 shares, $5 par value, of which $17,500.000 is issued. No bonds. Its property is located in Klondike District, near Dawson, Alaska, and consists of 650 claims. It is controlled by the Guggenheim interests.

Stewart Mining.

C. S., Washington, D. C.—Stewart Mining is a silver and lead proposition. There is outstanding $1,238,262 of stock, par value $1. The company owns 150 acres in the Coeur d'Alene district of Idaho. As of June 30, 1915, it had current assets of $574,694 and current liabilities of $74,129. Profit for the year ended June 30, 1915, was $654,695. The ore in the old mines has been well depleted. The company has bought some adjoining property, however, and it is said that prospects for opening up good ore are good.

Oil Notes

Associated Oil—Reports for year ended December 31, 1915, net income of $4,970,087 an INCREASE of $721,046 over preceding year. Surplus gained $674,627.

Cosden & Co.—February net earnings are reported, in Baltimore dispatches, as being in EXCESS of $400,000, or over $63,000 more than in the previous month. It is reported that these earning are solely from operations of the refining plant and pipe lines.

Eureka Pipe Line—Declared regular quarterly dividend of $6 a share, payable May 1 to stockholders of record April 15.

General Petroleum—REORGANIZATION plan of company provides for new corporation under laws of California to operate all properties now held by General Petroleum Co. All the shares of the General Pipe Line Co., now owned by General Petroleum, will be taken over by new concern. Stock of new company will be $3,212,160 7% cumulative preferred and $13,490,176 common. New company will issue not to exceed $1,500,000 10 year 6% bonds to liquidate at par the net balance of accounts due Andrew Weir and other creditors.

Gulf Refining.—Statement filed with Secretary of State of Massachusetts shows TOTAL ASSETS of $26,220,371 as of January 1, 1916 compared with $19,877,214 on same date preceding year. Cash and accounts receivable in 1916 were $4,499,091 against $2,697,680 previous year. earnings, against $57,857,632 on December 31, 1914, when pipe line earnings were included. Company reduced its bonded indebtedness, $5,000,000 in 1915.

Semet-Solvay—Statement showing company's condition as of February 1, 1916, gives TOTAL ASSETS of $12,228,684.

Standard Oil of Kansas—Expected that an EXTRA stock dividend will be declared in near future. 1915 report will be made public shortly.

Standard Oil of Indiana—Well informed interests declare company is paving way for declaration of an another STOCK DIVIDEND. Enormous demand for oil continues and company is reported to be in best condition in its history.

Tidewater Oil—Reports for year ended December 31, 1915, NET PROFITS of $2,404,325, equal to 10.01% on $24,000,000 capital stock outstanding. In 1914 net was $1,003,142, equivalent to 4.17%.

Vacuum Gas & Oil—Properties of this company are located in oil and gas districts of southwestern Ontario and consist of 5,250 acres. Stock recently offered to public. Directorate includes prominent Canadian financiers.

Vacuum Oil—Balance sheet as of December 31, 1915 shows total assets of $44,924,217. Declared regular semi-annual dividend of 3% and an extra dividend of 2%, payable May 15 to stockholders of record May 1.

Oil Inquiries

Empire Petroleum

R. D., Lancaster, Pa.—Empire Petroleum looks like a fairly attractive oil speculation. The present earning power of the company is hardly sufficient to justify the price at which the stock is selling, so that the future market course of the shares will largely depend on how development work now going on turns out. You must remember that in buying a stock of this kind there is a considerable element of risk. If development work is unfavorable the stock would have a big slump. As a general rule, it is not wise to invest your money in a company which has not thoroughly demonstrated its worth, unless you are personally familiar with the property and have great confidence in the management.

Cosden Oil

P. M. W., Milwaukee, Wis.—Cosden Oil is the largest independent oil company in Oklahoma. It has outstanding $2,202,660 common stock and $200,000 10% cumulative preferred, par $5.00. The preferred is convertible into common stock at par. There are also $1,000,000 6% bonds convertible into common stock at $6.50. For the year ended November 30, 1914, the company earned $500,000, and for the year ended November 30, 1915, $700,00. Current earnings are on a constantly ascending scale, due to the high price of oil.

Cal. Petroleum

C. B. C., Beaver Falls, Pa.—California Petroleum is a highly speculative stock and what its future market course will be it is impossible to determine. If it is taken into the oil merger on favorable terms there are possibilities of its having a substantial advance. On the other hand, it may not be taken into the merger and it may go much lower than present prices. We are inclined to suggest the selling of this stock in view of the large element of risk involved in holding it.

TOPICS FOR TRADERS

25,000 Sacks of Wheat Awaiting Shipment on Nor. Pacific Railroad

Trading In Wheat

Wheat Classification—Wheat Grading—Fundamentals of One of the Most Interesting Businesses of the World

By ARTHUR PRILL

EVERY year Mankind plays a big game with Nature—the stake is the wheat crop.

Look at those sacks pictured at the top of this page. You buy five bushels of each crop as bread—to live; but your Profit in Wheat depends on the brains you put into the business. The factors which control grain prices are easy to understand and to follow; when you begin to study them they will prove far more interesting than anything else you ever took up, for they are the very life of the world.

Wheat Classification

Winter wheat is sown in the Southern belt during September and October; its harvest begins in Texas as early as the latter part of May.

Spring wheat is sown in April; harvest begins in the Dakotas about August.

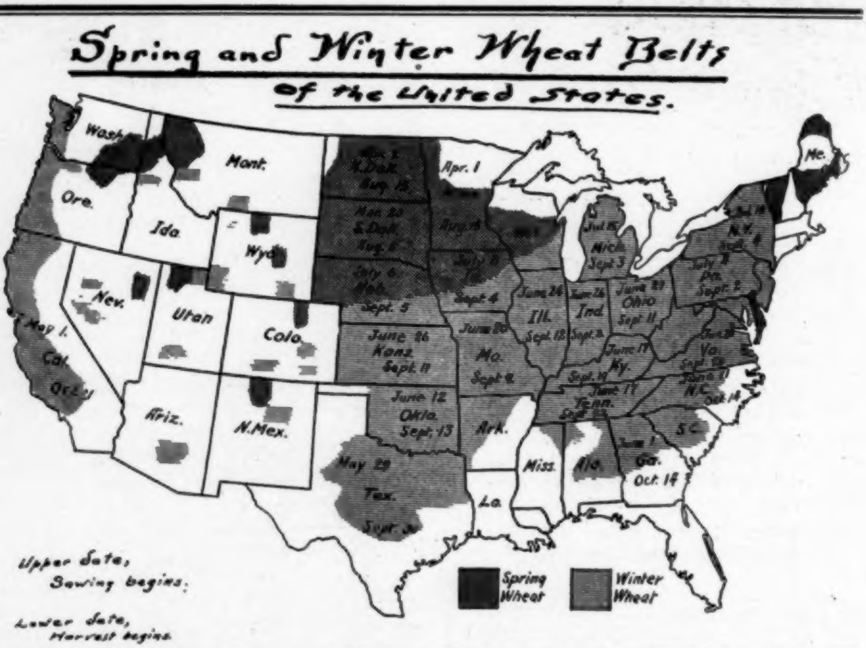
Market quotations are usually made in **May, July, September,** and **December** wheat, because these are the months in which most of this cereal is actually delivered. Cash purchases are made with equal facility on every day of the year, but for trading in futures the four-month delivery system is more convenient. It is, as a rule, also cheaper for a trader to sell a current delivery and repurchase a future than to hold grain during the interim and pay charges thereon; that is, if you hold 10,000 bushels May wheat about May 30, and desire to stay in the market for six months or more, it will be more profitable to sell your May holdings and buy December wheat. Brokerage commissions and price difference will be, perhaps, 6 cents a bushel, whereas storage charges and insurance would be 10 cents. Of course, these figures are subject to constant change, and may on rare occasions even be reversed.

At the beginning of the year, active business in futures is for the May and July deliveries. About April some traders take up September wheat; and about June 1, December wheat receives attention. When May has passed, only July, September, and December deliveries are in favor, and at the same time deliveries for the following May are again taken up. This starts a new annual cycle.

For whatever month you buy wheat, the first day of that month is the day on which you must be ready to accept delivery of your purchase, although it may not be offered until the last day of the month. If you do not desire to receive the actual wheat (in the form of a warehouse receipt) you sell an equal amount in the pit—a tranaction which you may also have made long before the arrival of the delivery month.

In every trade the day on which delivery is made (within limits of the delivery month) is optional with the seller; so is the grade of the wheat within the limits of grading established by the exchange through which you deal.

A trader's **Market Position** is his decision to hold wheat for an upturn of prices, or to sell it for a drop, intending in the latter eventually to buy back the amount sold, more cheaply and there-



In the Spring and in Winter Your Share in the Wheat Business is Planted. Hence it is Called "Spring" Wheat and "Winter" Wheat

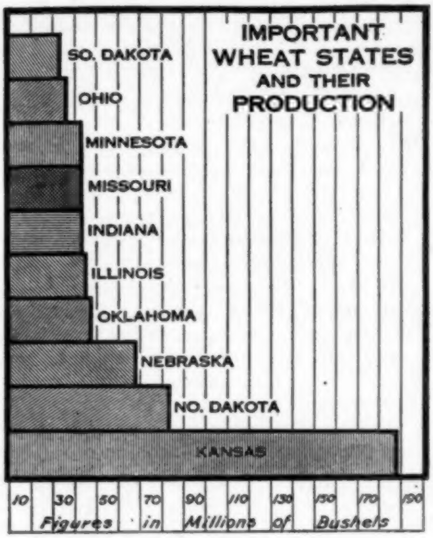
fore at a profit. Should the trader wish to maintain his Market Position after the delivery date of his commitment arrives, because he believes that the trend of prices will continue and yield a bigger profit later, he can stay in the market by buying or selling an amount equal to his previous trade, but for a future month.

To "get out of the market," by selling all holdings or filling all contracts, is possible at any time.

On the market page of your newspaper various kinds of wheat are from time to time spoken of:

Hard and **Soft Wheat** is a classification in accordance with the firmness and structure of the kernel. **Bread** and **Maccaroni Wheat** are named for their ultimate purpose, **Durum** being a maccaroni variety grown principally in a belt running north and south from the Dakotas through Nebraska to Western Kansas, Oklahoma and Texas. **Red** and **White** are classifications obviously based on color. **Turkey** is a tough kind of hard winter wheat. **Barletta,** a red variety raised in Argentina, where wheat is sown June 1 to Aug. 20. About 85 per cent of this crop is cut in December.

Each variety yields most plentifully under special conditions of soil and climate. In the United States the soft wheat district extends along the North Atlantic coast from Maine to the Virginias; a semi-hard type is grown in the region south of the Great Lakes; Kansas



and the Dakotas are famous for their hard winter and spring crops respectively.

Wheat Grading

Commercial grading of wheat is accomplished by the inspection of shipments as they arrive at central markets and by so mixing the different grains as to obtain definite standards. For these, soundness, plumpness, weight per bushel, and freedom from smut or foreign matter is fixed within distinct limits.

Such organizations as the Chicago Board of Trade have established what are known as **Contract Grades,** which form a standard quality to which all grain sold on that market must conform.

The various grades of wheat deliverable on contracts in the Chicago market are:

(From the CHICAGO GRAIN INSPECTION RULES)

On contracts for wheat for future delivery, the tender of a higher grade than the one contracted for shall be deemed sufficient. All contracts made for wheat hereafter, unless otherwise specified, shall be understood as for "contract" wheat, and on such contracts a tender of No. 1 Red Winter Wheat, No. 2 Red Winter Wheat, No. 1 Northern Spring Wheat, No. 1 Hard Winter Wheat, or No. 2 Hard Winter Wheat, and No. 1 Velvet Chaff Wheat, in such proportions as may be convenient to the seller, subject, however, to the provisions of Section 5 of Rule XXI, shall be deemed a valid tender. A variation, however, of one per cent in the quantity of grain delivered, and that contracted for, shall not vitiate a tender of delivery. Any excess or deficit within the above limits shall be settled for at the current market upon the day of delivery.

Inspection Rules of the Illinois Warehouse Commission for the Contract Grades are as follows:

No. 1 Red Winter Wheat shall be pure soft Red Winter Wheat of either or both light and dark colors, sound, sweet, plump, and well cleaned, and weigh not less than 60 lbs. to the measured bushel.

No. 2 Red Winter Wheat shall be soft Red Winter Wheat of either or both light and dark colors, sound, sweet and clean, shall not contain more than 5 per cent of White Winter Wheat and weigh not less than 58 lbs. to the measured bushel.

No. 1 Hard Winter Wheat shall include all varieties of pure Hard Winter Wheat, sound, plump, dry, sweet and well cleaned, and weigh not less than 61 lbs. to the measured bushel.

No. 2 Hard Winter Wheat shall include all varieties of Hard Winter Wheat of either or both light and dark colors, dry, sound, sweet and clean, and may contain not more than 25 per cent of soft Red Winter Wheat, and weigh not less than 59 lbs. to the measured bushel.

No. 1 Northern Spring Wheat must be Northern grown Spring Wheat, sound, clean and of good milling quality, and must contain not less than 50 per cent of the hard varieties of Spring Wheat, and weigh not less than 57½ lbs. to the measured bushel.

If ever we reach a stage of civilization in which similar inspection and grading of humans is established, that overplumpness of head which leads to demagogic howls for the destruction of modern trade organizations will mark its owner for the smut-pile.

The
WHEAT PIT
is the
SAFETY VALVE
of the
GRANARIES.

Talks by an Old Trader

Talk No. 2. On Risk-Control

By "B."

BEFORE a speculator makes a commitment it would seem only ordinary horse-sense that he should "count the cost," that is to say, having decided upon the desirability of buying or selling a certain stock, at any given moment, it might be presumed that he would have an approximate idea as to how many points maximum risk he would allow himself. For one reason or another, however, this is not always, (indeed, not usually) the case. Let us see how the average speculator is apt to regard the matter.

I was talking today with a man who told me he was long on Canadian Pacific, which had gone against him "a point or two, but nothing to hurt." He believes it will "come back and show a profit, sooner or later." Yes, he understood all about stop-loss orders. But he "had often lost his stock that way, when he ought to have held on."

In Case of a Big Break

I wanted to know what he would do if the current price proved to be nowhere near bottom. To-day is February 23rd, and Canadian is around 169. Well, he "supposed he would have to let go somewhere, if it got too bad." He was quite willing to concede that predetermined stops were all right for me, as a trader. For himself, he was a speculator. As he put it, à propos stops in general, "I can't hop in and out, the way you do."

Now, this man may be in danger of a bad jolt. Canadian touched 166 on January 31st, and that may be bottom, or it may not be within ten, twenty, thirty or more points of bottom before seeing his purchase price again. He is, in fact, all "up in the air," and has, apparently, nothing planned out in the mind beyond a vague hope that his stock will not react to a point where he cannot afford to carry it any longer!

This is a typical specimen of a large class of speculators who specially need to be safeguarded against themselves. Moreover, these are just the people who can most easily protect themselves against heavy losses, namely, those who carry lines of a few hundred shares and less. The smaller the line, the easier it is protected.

Everybody understands that a trader can "play stops." Speculators, trying for the large swings, seem to think that in their case it must be neck or nothing, on account of the absurdity of a narrow stop of them, (as they insist on arguing,) and the apparent absence of anything to take its place. Which is partly true, and partly very false indeed. A two-point stop for a broad-guage speculator, *unless he will assume a trading attitude during the period of accumulating his line,* is absurd. On the other hand, you cannot convince me that it is sensible for anyone to allow a loss to run on to ten, fifteen or an indefinite number of points under any circumstances. For example, I heard the other day of a speculator who had just let that same stock, (Canadian,) go with an eighteen-point loss.

Maximum Risk

There must be some limit which can be employed by "rule of thumb" as the ultimate boundary within which a more scientifically defined stopping point can be located,—by those who will take the trouble—but beyond which it should be considered absurd to follow a loss. Let us see, now, what reasoned-out answer we can get to this basic question: "How many points maximum risk is any single commitment worth?"

Every speculator may be presumed to know that the market, and each stock, passes through alternate stages of "swings" and up-and-down "fluctuations" around one level, caused by the

sequence of the processes of Accumulation—Marking Up—Distribution—and Marking Down. The aggregate of the fluctuations around the accumulation and distribution levels constitute "trading areas," having more or less distinctly defined, and usually rather moderate limits.

Now, it is quite obvious that if, for example, a stock selected for purchase has had a decline and is fluctuating up and down without working lower, the speculator's expectation is that when the existing price-range exceeded materially it will be in the upward direction. But—he can have, after all, no more than an *expectation* that this will happen. What shall he do to protect himself against serious loss if his expectation is falsified by the event? He can, and he ought to let go at some predetermined point, even if he does lose his stock and it afterwards turns out that his basic judgment was right—except for being a little "previous."

The ascertainment of this point presupposes the possession of a few simple and easily accumulated data. Most speculators, however, refuse to take the very small amount of trouble involved, and excuse their laziness by questioning the utility of it.

The minimum amount of data required is as follows:

(a) The high, low and volume of a few stocks:

(b) A similar record of a good "average" and of the total volume: to which should be added,

(c) Pictorial records of the above tabulated data, i.e., charts.

Even if charts are not absolutely indispensable, they are unquestionably of very great assistance, and much easier to read than long columns of figures.

To show how small is the amount of work really required, let me give a list of the things I have been doing myself, every day, lately, during the sickness of my assistant. I enter in a book the high, low and closing prices and the volume of fifteen stocks and of two averages of ten stocks each, and the total volume for the day, the prices being noted on a piece of paper during the day in the office and compared with the published figures at the time I ascertain the volumes. I also keep a chart containing the two averages and the total volume, and separate charts of six stocks.

I have timed myself repeatedly and find it takes me little more than half an hour on the average to do all this.

The data, and especially the charts, give at a glance a bird's-eye view of the position of things and enable one to discern the apparent limits of the trading areas with considerable exactness.

"Stopping-Out" Point

But it is not enough to determine these areas. The first step is, of course, to establish an ultimate "stopping-out" point outside their limits, say to the extent of a point, or a large fraction of a point. But we must then go further and reckon from that point to the current price and see if the distance is within a permissible risk-limit. In order to know this last we must have already decided how much any single commitment is worth, and if we find the price is already too far away from our stopping-out point we must forego the pleasure of risking a dollar on the chance of making seventy-five cents! We have, at last, reached the subject-proper of our talk.

Last summer and fall I saw many men with relatively big profits to their credit—on paper, and at that time!—and I was thinking about the risks they had been taking before things had gone their way to any material extent. Naturally I wondered what steps, if any, they had taken along the lines of risk-control, and what the practical possibilities in that line were.

With this idea in mind I took pains to observe the actual doings in the office I was chiefly frequenting, with the following results:

I took note of 167 buying commitments, (excluding those made by simon-pure traders,) which were made by thirty-one different individuals. I noted the stock, the current price, the date and the name of the speculator.

(a) The orders went in, of course, at all stages of the market, many of them being, evidently, mere gambles, made without any discoverable relation to the

technical position. Out of the whole number, however, I found 115 that were more or less "timid," i.e., were made after a decline had apparently culminated or, at least, had slackened, pro tem., and before a subsequent swing had progressed materially.

(b) These 115 purchases were distributed with surprising impartiality over the classes of stock, viz.,

29 were in specialties,

23 were in steel (mostly U. S. Steel Common, of course,)

15 were in industrials and metals,

20 were in rails,

28 were in coppers.

(c) Eighty-five of these 115 commitments were successful, i.e., were followed by a more or less substantial swing in the right direction.

I had my assistant work out a diagram for every one of the trades on the basis of showing how much decline occurred below the purchase price or below an incidental rally above that price, before a real upswing took place. When all had been worked out this way it became at once evident that there was a very large discrepancy between the showing of the 115 "timed" commitments and the rest, in respect of the size of stop that would have been required to hold those that were followed by an upswing, before a new downswing occurred. If a downswing came first, the original purchase would have to be closed as basically wrong.

Safety-Insurance

It was evident that the stop-range required would have to be worked out from study of the 115 timed trades only. Any size found to average best for them would also be the best "safety-insurance" for the whole. In the result, the analysis showed that the stop-distance in over ninety per cent of those trades fell within 3.60 and 4.85 points, the actual average figure for 104 trades being 4.37 points.

The indication thus far obtained was that five points was about the maximum that would be desirable.

I next had my assistant apply a five-point stop to every trade, on the "follow-up" principle, and the results were as follows:

(a) Sixty-one of the 115 trades showed a net profit when finally stopped out, many of the profits being quite large.

(b) The average loss in the twenty-four cases where a five-point reaction came before an advance of five or more points was 1.53 points.

(c) Thirty out of the 115 trades were followed by a breaking through in the wrong direction, and they showed an average loss of 3.09 points.

The 52 "gambling" commitments occurred as follows:

(1) Twenty-nine were made during the course of an unfinished decline.

(2) Twenty-three were made during a distinct "bulge," or after an upswing had got under full headway.

Twenty of group 1 were hopelessly wrong from the start, and would have used up practically the whole of a five-point stop—and more, too. The remaining nine would have been saved by a five-point stop.

Six trades in class 2 showed good profits. The average of the seventeen others showed a loss of 2.16 points.

These 52 trades should hardly be considered, however, because they were made under conditions in which a "trading" attitude would be called for or else the speculator was of the sort who would be "too proud" to protect himself, no matter what might be said!

So far, then, we have arrived at a tentative idea that about five points would have proved the best all-around size for an arbitrary stop last summer and fall. How about other periods? Did conditions last summer and fall in any way match those found in other years?

I have had my assistant analyze the trading areas in various active stocks during the years 1911-1913 inclusive. She reported as follows:

"There were 817 definite trading areas of varying duration, followed by a swing into an area whose limits did not overlap the preceding one. (In such cases the two areas are considered as parts of one area.) 581 areas were less than five points in range, the average be-

ing 4.03 points. 81 were over five points, owing to the occurrence of a "shakeout," returning immediately within the area. 155 areas covered five points or over."

Conclusion

These results confirm the conclusions drawn from analyzing the trades I noted last fall, and the final deduction I make from the whole discussion is, that under ordinary circumstances "About five points" is all that any single commitment is worth.

At the same time, the placing of initial stops, (which are alone under discussion, so far), to be really effective, should be guided by the trading-area idea rather than that of arbitrary size. But about five points is the maximum for an arbitrary stop, and I feel sure it would pay the happy-go-lucky class of speculator better in the long run than the idea of "holding on until it got too bad!"

We will next consider the correlative question of the capitalization of the speculator, before discussing the protection of accrued profits and the closing-out of a successful commitment.

(*To be continued.*)

Technical and Miscellaneous Inquiries

Financial Fundamentals

Q.—What are deferred assets? What are non-maintenance items? What is operating debt? In the Anatomy of a Railroad Report it says: "In strict theory, probably, current and quick assets should equal current liabilities, and the surplus to Profit and Loss Account taken together. *Unfortunately very few roads have a real or available surplus.*" (P. 53, Anatomy of a Railroad Report). What do they mean by *current and quick assents?* What do they mean by the statement "Current and quick assets should equal current liabilities and the surplus to Profit and Loss account?" Is not a Profit and Loss surplus a real available surplus? If not, why not? Does the Profit and Loss Surplus of Erie RR (some $31,-000,000) mean they have assets of that value? Will you please explain to me what a Profit and Loss Surplus is? Has the Canadian Pacific got $83,000,000 of assets in their Profit and Loss Surplus as the report shows, and if not what is it? Why is a Profit and Loss Surplus placed among liabilities, as in the Penna. RR report recently issued? If it is a Profit and Loss Surplus why is it placed among liabilities instead of among assets? On page 473 of the Magazine of Wall Street for January 8, 1916, appears a report of the Am. Locomotive Co. showing a Profit and Loss Surplus of $8,293,678. Does that mean the equivalent in money? If so, why is it placed among the liabilities? What does "Approp. Surplus" mean in the recent Penna. RR report? Several copper companies announce that dividends have been declared payable, March 31 next to stock of record March 10. Does that mean that anyone who buys copper stocks before March 10 will get regular and extra dividends on those stocks? Does it mean that by buying that stock before March 10 and disposing of it immediately afterwards (after March 10) that they would get the dividends?—C. D. J., Elmira, N. Y.

Ans.—The profit and loss surplus is the item that makes the balance sheet balance. It is a bookkeeping item and represents the difference between the book value of the assets of the company and its liabilities. As it represents the difference between assets and liabilities, the profit and loss surplus naturally appears on the liability side of the balance sheet.

A profit and loss surplus is theoretically a real and available surplus, depending on what it represents on the assets side of the balance sheet. In some companies it represents largely marketable securities and cash, in other companies it appears in property and plant account, in which case it would not be a surplus readily distributable to shareholders.

In the case of Erie, the profit and loss surplus is largely represented by road and equipment, in other words their surplus earnings have been put back into the property. In order, therefore, to determine just what the profit and loss surplus of a company represents, it is necessary to carefully study the assets side of the balance sheet.

When the Interstate Commerce Commission standarized railroad reports, it was provided that surplus earnings spent on additions and betterments to the property should appear separate from the profit and loss surplus and it is now shown under the item of "appropriated surplus."

By "current and quick assets" are meant assets which can readily be realized on, but as accounts receivable, cash, supplies, etc. "Deferred assets" are assets of the

company not immediately available, but which will come into the possession of the company in time. "Non-maintenance items" are certain expenses which the road has been put to which are not properly chargeable to maintenance account.

In explaining the quotation you give from The Anatomy of a Railroad Report, we would say that what is meant is that if the profit and loss surplus shown by a road is a real and available surplus, it should appear on the assets side of the balance sheet in cash, marketable securities or other marketable assets.

Stockholders of record on the day announced by the company paying the dividend are entitled to the dividend. The stock sells ex-dividend on the stock of record day. For example, if a company declares a dividend on its stock payable April 1 to stockholders of record March 10, if you purchase the stock any time before the 10th you are entitled to the dividend provided you do not sell the stock until March 10.

Of the old bound issues of The Ticker, we have only volume 2 and volume 3 available. The charge for volume 2 is $4, and for volume 3, $2. Of The Magazine of Wall Street we have volumes 7 to 16 inclusive available, the charge for each volume being $1.75.

Peace and Sugar Prices

Q.—What effect would peace have upon sugar prices, in your estimation?—R. L. D., Puunono Maui, Hawaiian Islands.

Ans.—It is generally believed that it will take some time for the world's sugar production to get back to normal after the war. European production has, of course, been greatly cut down and there is also some difficulty for the best sugar people out West to get seed. There is a prospect for a smaller beet sugar crop for this season. While sugar prices will probably not maintain as high a level after the war as they now show, prices may be expected to rule somewhat higher than the average for the past decade.

Income Tax on Market Profits

Q.—Supposing I make $10,000 net in the market. Have I got to pay the income tax? And if so, through what channel or process? And does the law apply to aliens as well as citizens?—O. G., Greenport, N. Y.

Ans.—The Income Tax Law provided that any profits made through trading in stocks should be considered as income, but that any losses taken through trading in stocks cannot be considered deductable. This law applies to aliens as well as to a citizen, provided the trading was done in United States markets. All that is necessary for you to do is to get the Income Tax blank and fill it out in the way it calls for.

Trading Fundamentals

Q.—Does a point on a stock mean one dollar or ten? What commissions and taxes does one pay when trading in stocks? Do you think margin of option trading is the best way to make money and can you profit on a decline in margin trading as in option trading?—L. M., Orwigsburg, Pa.

Ans.—In answer to your first question: a point in the New York Stock Exchange represents one dollar per share. If you bought a share of stock at 50 and sold it at 51, your profit would be $1 less the commission. When you purchase a stock you have to pay your broker 1/8 of a point commission or 12½ cts. a share, and when you sell a similar charge is made. A seller of stock has also to pay in New York State a transfer tax which amounts to $4 per 100 shares of stock, whose par value is $100. If the par value is $50 the charge is ½ as much, and if the par value is $25, ¼ as much.

For example, if you purchase 100 shares of Erie at 37 and sell at 40, your profit will be $300, less brokerage commission and tax. In this case the brokerage commission would be $12.50 for the purchase and $12.50 for the sale. The transfer tax would be $4 making a total of deduction of $29. If you purchased this stock on margin, that is to say, if you did not pay for it in full, your broker would charge you interest at the rate of usually 6% per annum on the unpaid balance for the length of time you hold the stock. Suppose you hold the stock two months before closing the trade and you put up $1,000 margin. The interest charged by the broker in this case would probably amount to $27. The net profit on the trade after deducting all expenses would therefore be $244.

We are inclined to the opinion that margin trading offers better opportunities for making money than the purchasing of puts or calls. You can make a profit on a decline in the market by margin trading exactly the same as you can on an advance. You simply sell stock short. Your broker borrows the stock to make delivery. When the stock has declined you buy in the stock and your profit is the difference between the selling and the purchase price. One advantage of short selling is that you have no interest charges to pay.

Twenty Point Margin

Q.—What is the meaning of the phrase "20 point margin?"—G. G., 245 West 45th Street, N. Y. City.

Ans.—By the term "20 point margin" is meant a margin of 20 points per share. If you purchase 100 shares of stock and put up $2,000, you have a margin of 20 points. In the case of U. S. Rubber, which is a fairly low-priced stock, this margin is ample.

Wall Street Jottings

Ebert, Michaelis & Co.

Messrs. Ebert, Michaelis & Company, 60 Broadway, New York, announce the opening of a bond department in charge of W. W. Townsend as manager. Public utility, Municipal and Railroad bonds will be specialized in.

Municipal Bond Booklet

William R. Compton Co. has published their April booklet on municipal bonds. The booklet describes an assortment of issues which meet the requirements of every class of investor, both large and small.

N. W. Halsey & Co.

George L. Cross, Esq., who for over ten years has been associated with the editorial staff of the Commercial and Financial Chronicle and in charge of the Municipal Bond Department, is now affiliated with the Municipal Bond Department of N. W. Halsey & Co.

Chesapeake & Ohio

Renskorf, Lyon & Company, 33 New Street, New York, are issuing a most comprehensive analysis of Chesapeake & Ohio. Copies will be sent free on request for Letter-MW.

The Twenty Payment Plan

Slattery & Co., 40 Exchange Place, New York, are issuing booklet explaining "The Twenty Payment Plan," which enables one to buy bonds, New York Stock Exchange, Curb Market and active unlisted securities, on a small initial deposit, followed by convenient monthly payments. Ask for booklet 15-MW.

Pennsylvania Gasoline Company

In connection with the offering of Pennsylvania Gasoline stock, Messrs. E. Bunge & Company, and associated bankers state that reports to the effect that the Pennsylvania Gasoline Company is to pass to new interests are officially denied.

According to E. D. Warren, a director and general manager of the company, there is absolutely no basis to warrant such an impression, although admitting an interest in the company had recently been acquired by these bankers. Mr. Warren also denied that contracts have been entered into for the sale of the output of their gasoline plants.

"We have only one unfilled contract on our books," he added, "which we expect to be completed before April 10th. With this exception company has no outstanding contracts to deliver gasoline and will not make any exclusive sale contracts."

Cities Service Company

The latest circular on Cities Service Company prepared by Messrs. Williams, Troth & Coleman, 60 Wall Street, New York, tells in detail of the recent important developments in the company's oil properties in Oklahoma as well as the increased earnings of the light and power subsidiaries. Copies will be sent free upon mention of The Magazine of Wall Street.

Odd Lot Investors

For the convenience of odd lot investors and traders generally, Hartshorne & Picabia, members of the New York Stock Exchange, of 7 Wall St., New York, have prepared "Odd Lot Experience Tables." These tables may be obtained free. They show in detail the progress of the account of a purchaser of dividend paying stocks on the instalment. In writing please mention The Magazine of Wall Street.

Market Statistics

		Dow Jones 12 Inds.	Avgs. 20 Rails	50 stocks High	50 stocks Low	Total sales	Breadth (No issues)
Monday	March 27	122.93	102.81	88.06	87.08	512,900	184
Tuesday	" 28	121.31	102.71	88.06	87.15	525,700	184
Wednesday	" 29	121.89	102.20	87.85	86.65	479,900	202
Thursday	" 30	121.62	101.72	87.03	86.22	485,600	189
Friday	" 31	122.27	101.63	87.76	86.22	435,100	178
Saturday	April 1	122.48	101.61	87.82	87.46	194,300	152
Monday	" 3	122.19	101.96	88.87	87.76	514,800	192
Tuesday	" 4	121.77	102.10	88.58	87.89	569,900	178
Wednesday	" 5	122.04	102.72	88.71	88.07	458,700	187
Thursday	" 6	122.84	102.88	88.78	88.31	552,600	182
Friday	" 7	121.60	102.21	88.14	86.46	592,600	195
Saturday	" 8	121.79	102.10	87.46	86.90	251,200	145

COTTON AND GRAIN

Weight of Old Crop Cotton

By C. T. REVERE

ON Friday of last week Washington advices carried the tale that Representative Heflin of Alabama had introduced in Congress a resolution prepared by Attorney-General McGregor providing for a "thorough investigation of the New York Cotton Exchange" by the House Committee of Interstate and Foreign Commerce. The local cotton trade was somewhat at a loss to account for this latest inquiry, until one of the exchange humorists ventured the suggestion that perhaps the Alabama statesman wished to find out why the market recently had been so dull.

For more than two months the market has moved within narrow swings, representing extremes of $2 per bale, while daily fluctuations have hardly exceeded 10 points and frequently have been even less. There has not been an absolute deadlock in the spot situation, although this is the loose term applied by the trade generally to the cause for the existing stagnation. The South has really sold more cotton during the last six weeks than at any time in its history, with the exception of last year. This disposes of the contention that holders are hanging on tightly and refusing to part with their accumulations from the last crop. On the other hand, the takings by spinners are relatively very small, less in fact than they have been for the last five or six years.

During the week ending April 7, for instance, the movement of cotton into sight was 158,000 bales, which was larger than at any time in history with the exception of the season of 1914-15 and 1911-12, both of which seasons produced crops in excess of 16,000,000 bales. On the other hand, spinners' takings amounted to 215,000 bales compared with 394,000 last year, and were smaller than they have been since the season of 1910-11.

From a statistical standpoint the cotton situation is developing certain elements of bearishness which can hardly be disposed of by the assertion that American mills are doing a record business and that Europe is greatly in need of cotton and will import it regardless of scarcity of tonnage and high ocean freight rates. American spinners undoubtedly are using more cotton than at any time in their history, but it is also true that they are now holding the biggest stocks on record, and with the cotton in their warehouses and already contracted for, they are fully protected up to the arrival of the new crop. Exports have shown a moderate increase lately, but even with this gain they are about 2,600,000 bales less than they were at this time last season. Exports to date are about 4,200,000 bales compared with a little more than 6,800,000 last year. While there has been some reduction in ocean freight rates, the tonnage scarcity continues to be acute and the total exports for the season are not expected to prove much, if any, in excess of 5,500,000 bales.

With regard to this season's consumption, the following extract from a letter from a prominent Liverpool firm should be of interest. The letter says: "United States takings continue on a huge scale and it seems quite likely now that the end of the season may show that this center will have absorbed 7¼ million bales, and taking this as a basis we may venture on a total estimate of the world of 13½ million bales, as we believe we can rely upon Europe and Japan taking at any rate 6¼ million. This figure of 13½ millions is about, we should think, the general expectation, although there are sanguine operators who believe in a still larger figure, whilst there are those who anticipate that it will only be in the neighborhood of 13 to 13¼ millions."

With the planting season already

starting in full swing, the new crop is bound to prove more and more of an influence upon prices. Since the last issue of THE MAGAZINE OF WALL STREET, the Texas drought has been effectively broken by rains covering the entire State and averaging more than 2 inches. Part of the grain crop was saved, but where land devoted to cereals was thrown out, the acreage of cotton will be increased.

Two preliminary estimates of acreage have been issued, one placing the gain at a little over 6 per cent., while the figures of the New York Commercial showed an increase of 8.6 per cent., making a total of 34,734,000 acres. On account of the fact that the South is holding so much old crop cotton, it is doubtful if the trade ever will have any authoritative or accurate estimate of the new season's acreage. The full increase is not likely ever to be reported but it undoubtedly will be a large one.

Certainly with new crop months well above 12c. and with the prospect of getting $40 or more per ton for cotton seed, or at the rate of $20 per bale, there is no crop which the South can raise that will prove anywhere nearly so profitable on a large scale as cotton.

While official European advices do not foreshadow the end of the war for a year or more, the average Southern farmer is of the opinion that hostilities will cease before a new crop is gathered. Peace is expected to bring an enormous demand for cotton with attendant high prices. This hope will prove another incentive for a full acreage.

While there has been much talk about the inadequate fertilization likely to be practiced this season, it seems quite likely that the quantity will be larger and the quality will suffice for the character of the cotton crop. Cotton does not require a large proportion of potash in commercial fertilizer and this element is the only one which will be materially reduced in the compounding of the mixture.

Bulls do not see much chance for anything more than a sagging market with the decline temporary, and they do see the possibilities of a sensational advance, based either on a wet and backward spring or the prospects of peace. The bears are counting on the continuance of the war to curtail demand and they believe that producers will have to accept a lower price ultimately at least.

Short Wheat Crop Seems Assured

By P. S. KRECKER

IT may be assumed that the worst has been heard of wheat crop condition for a while, and that the next government report, which will be issued in May, will show a change for the better. The average improvement in condition from April to May for 10 years is not impressive, it is true. Indeed, it figures out only 0.2 per cent. The fact remains, however, that the trend of condition of the winter wheat crop during April usually is for the better. The low average improvement for the last 10 years is due to the extreme relapse wheat suffered in a single year—1907—when condition deteriorated 7 points in one month. Were that year left out of consideration, the average improvement during April would have been 0.9 instead of 0.2. Looking further ahead, it is well to recall that wheat condition usually declines between April and July, when the crop is harvested, the average deterioration for that period being 5.9 per cent., so that the winter crop this year seems to be certain of never recovering the serious setback it already has suffered, even if the succeeding months maintain the average of condition. Taking these facts into consideration, it is justifiable to assume further that the government, in calculating the indicated winter wheat yield at 495,000,000 bushels, made every al-

lowance for an improvement, and that if any error was made it was on the side of an overestimate.

With a moderate winter wheat crop definitely forecast by all published government statistics, renewed interest is created in the volume of surplus wheat in the country. The March 1 report on farm reserves was hailed as a most bearish argument, for it established the fact that farm reserves of wheat were the largest of record on that date, with a total of 247,717,000 bushels, against an average of 150,000,000 bushels for the last 10 years. There were estimated to be stored in country elevators another 151,911,000 bushels, while private agencies figured that there was a visible supply in the country as of the same date, of 66,378,000 bushels. Thus the aggregate stocks, visible and invisible, of wheat in this country were roughly figured at 460,000,000 bushels, and the position was assumed by some wheat authorities that a short crop new season could be viewed with equanimity. The writer pointed out at the time the fallacy of any assumption that there were 460,000,000 bushels of wheat which could fill a gap caused by a short new crop, directing attention to the fact that no allowance was being made for the large percentage of unmillable wheat. We estimated this at 100,000,000 bushels, but did not claim special merit for that estimate, because it was based on most unsatisfactory data.

The April condition report is so extraordinary that it deserves much more than customary attention. From being a merely routine memorandum, it becomes this year a factor of the first magnitude. Records of the past are illuminative. In the first place, an April condition report of 78.3 per cent. of normal, is the lowest for that month since 1904, or 12 years, when it was even lower at 76.5 per cent. That year also was one of heavy abandonment of acreage, and in that year the United States produced the smallest wheat crop of the period under consideration. Again, a condition of 78.3 is nine points lower than the average for April of the last 10 years. It has been approximated in two different seasons, namely, 1912, when the average for the United States was 80.6, and again in 1910, when the average was 80.8 per cent. The yield per acre of wheat was approximately the same in both of those years, with 15.1 bushels average for 1912 and 15.9 bushels average for 1910. The highest April condition of recent years was that of 1914, when it registered 95.6 per cent. That also was the season of the high record crop of 684,990,000 bushels of winter wheat. The average yield per acre that year was 19.0 bushels. In fact, a high April crop condition usually means a large yield per acre, and therefore a good harvest, and conversely, that a poor April condition usually spells a small average yield per acre.

An estimate of abandonment of winter wheat acreage is due next month from the Department of Agriculture. The government, in reaching its conclusion that the indicated wheat crop is 495,000,000 bushels, evidently calculated on only an average abandonment. Such a calculation would not appear to be justified by private reports or by condition reports made by various State authorities. Thus the Illinois State report for April makes the average winter kill in territory under its jurisdiction at 35 per cent. The average abandonment of acreage for the United States for the last 10 years has been 8.3 per cent., but in view of such reports as that made by the State of Illinois, and of private reports made covering other states in the central wheat belt, such an average seems hardly possible this year. In previous years of low average condition for April, abandonment has been very heavy. Thus in 1912, when April condition was placed at 80.6 per cent., abandonment reached the unusually high average of 20.1 per cent. In 1910, when April condition averaged 80.8 per cent., abandonment was estimated at 13.3 per cent., while in 1904, with an April condition of 76.5 per cent. abandonment, as already stated, reached 15.4 per cent. It is scarcely possible, in the light of these statistics, that abandonment will be up to the average this year.